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Chairman David Olsen
CAISO Board of Governors
California Independent System Operator
P.O. Box 639014
Folsom, CA 95763

RE: Maximum Import Capability

The California Municipal Utilities Association (CMUA) appreciates the opportunity to provide comments on issues surrounding the Maximum Import Capability, or MIC, decisional item before the Board.

CMUA supports approval by the Board of the improvements to the MIC methodology proposed by CAISO Management. However, we would like to emphasize for the Board the need to continue to make improvements to how load serving entities within the CAISO Balancing Authority can access imported power to meet Resource Adequacy (RA) requirements.

The MIC construct is roughly 15 years old. In the intervening years, almost everything relevant to RA has changed; the resource fleet, associated counting rules for capacity, dispersion of load serving obligation, and California's interaction with supply in the rest of the West. Yet the cumbersome MIC process remains. CMUA members report that it has become a significant commercial barrier to procuring and selling system RA capacity from resources external to the CAISO.

We don't know where the assessment of August grid events will lead us, but one likely area of discussion is the ability to secure imported resources given the trend toward tighter capacity margins. A great deal of attention has already been spent in state regulatory proceedings on the rules for counting RA imports, and the issue is also teed up in the CAISO's RA Enhancement initiative. One issue that is within the complete control of the CAISO to address is how MIC works and is allocated to support capacity purchases by LSEs. California LSEs need all the tools they can to compete for tightening supply, and MIC stands as an artificial barrier. CMUA members report that they could have secured out of CAISO capacity resources but were unable to match MIC to the desired capacity purchases. This cannot be allowed to persist.

CMUA is not asking for a solution that degrades system reliability. We recognize that what the CAISO can import is not infinite. However, import RA contracting is not near the MIC threshold, and by a wide margin. This means that large amounts of MIC are being allocated, and

the unused MIC is not finding its way into the hands of LSEs that want to use the MIC to support RA imports. Finding ways to fully utilize available MIC must be a priority, including terms and conditions for release of unused MIC and associated pricing rules.

So, while CMUA supports the improvements the CAISO is making to the MIC methodology today, we also want to take the opportunity to alert the Board to a growing issue and barrier to LSE compliance with RA obligations, and to urge that the CAISO immediately prioritize, either in a new stakeholder initiative or folded in the RA Enhancements process, a comprehensive assessment of MIC, whether it is fulfilling the intended purpose, and to take steps to ensure that MIC can be fully utilized to support the procurement activities of CAISO LSEs.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tony Braun".

Tony Braun
Braun Blaising Smith Wynne, PC
Counsel to the California Municipal Utilities Association