

SWPG comments on Stakeholder Initiative Catalog Process

Submitted by	Company	Date Submitted
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SWPG respectfully proposes the following changes to the ranking proposed by the stakeholder initiative catalog posted on November 4, 2016.

Initiative Name	Grid Reliability	Improving Overall Market Efficiency	Desired by Stakeholders	Market Participant Implementation (\$ and resources)	ISO Implementation (\$ and resources)	Total Score
Regional Multi-Year RA	7	7	3 7	7	3	31
Review MIC	3 7	7	7	7	3 7	35

Regional Multi-Year Resource Adequacy

SWPG supports this initiative being moved higher in the rankings and notes that “some stakeholders’ desire” as indicated by the “3” is too low. Although the plan to move forward with a multi-year RA has been continually bogged down with talks on capacity markets and disputes over jurisdictional authority, this has not lessened the desire from a majority of stakeholders to move forward with a multi-year RA concept. A multi-year RA requirement would increase transparency and efficiency by ensuring sufficiency resource capability and capacity in the near-term. This would increase the ISO’s ability to assess thermal retirements and better plan for any needed renewable integration energy market changes due to the future resource mix. It also would have the effect of shoring up the RA market and potentially would prevent certain needed resources in the future from retiring.

Review MIC

SWPG envisions multi-year RA would also enable longer term renewable contracts outside of CA to count toward the CA renewable requirement and toward RA. However for these resources to be counted as RA, the ISO would have to review and enhance its MIC process. Even absent a multi-year RA product, the fact is long-term contracts exist for imports and there would be increased reliability and efficiency if the ISO were to enhance its MIC procedure.

A significant barrier to contracting with resources outside of the ISO is artificially created by only performing the RA import allocations annually. Whereas resources outside the CAISO BAA may fulfill the CAISO's RA needs and – for example – RPS needs of an LSE more cost-effectively and provide better portfolio diversification, a one-year allocation is simply incompatible with the multi-year contracting practices of LSEs.

Development of a multi-year process akin to the 10-year CRR allocation would alleviate this barrier to cost-efficient selection of resources by the LSEs. SWPG does not expect this feature would pose an overly complex policy design challenge or a particularly expensive implementation process. The import allocation is not part of critical CAISO operational systems. It is performed periodically and seems easily expendable to multi-year outcomes. It is also not expected that the policy change would be particularly controversial. Finally, such a change would make business arrangements feasible that would make significant additional RA resources available to the CAISO, potentially freeing in-state resources to provide for the short-term flexibility needs of the CAISO going forward and thereby improve grid reliability.