

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the Straw Proposal for the Regional Resource Adequacy initiative that was posted on February 23, 2016. Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **March 16, 2016**.

Please provide feedback on the Regional RA Straw Proposal topics:

1. Load Forecasting

Six Cities’ Comments: Subject to evaluation of additional details when they are available, the Six Cities generally support CAISO’s proposal to develop load forecasts for purposes of resource adequacy assessment based on load forecasts initially developed by participating LSEs and/or Local Regulatory Authorities, subject to review and potential adjustment for consistency and reasonableness (Straw Proposal at 10).

2. Maximum Import Capability Methodology

Six Cities’ Comments: As the Six Cities understand the Straw Proposal, CAISO intends to apply the currently effective methodology for determining and allocating MIC at Scheduling Points between the outer boundaries of the expanded CAISO BAA and external BAAs, other than adjusting for circumstances where there are no simultaneous constraints (Straw Proposal at 11). The Six Cities have no comments on that aspect of the Straw Proposal at this time. With respect to interties that become internal to the expanded BAA, the Six Cities understand that such interties may be subject to internal transfer capability constraints and provide their comments below regarding CAISO’s proposed treatment of such constraints.

3. Internal RA Transfer Capability Constraints

Six Cities' Comments: Subject to evaluation of additional details when they are available, the Six Cities generally support CAISO's proposed treatment of internal RA transfer capability constraints. Specifically, the Six Cities support continuing grandfathered support for pre-RA contract commitments (Straw Proposal at 11), allocation of transfer capability on internal constraints on a directional basis, as discussed at the March 2, 2016 meeting, and netting of RA contracts to allow recognition of greater transfer capability as supported by contract and related RA commitments (Straw Proposal at 11).

4. Allocation of RA Requirements to LRAs/LSEs

Six Cities' Comments: The Six Cities have no comments at this time on CAISO's proposed process for allocating RA requirements to LRAs or LSEs as discussed at page 12 of the Straw Proposal, but the determination and quantification of RA requirements allocated among LRAs and LSEs must be based on consistent rules applied throughout the expanded BAA, as discussed below.

5. Updating ISO Tariff Language to be More Generic

Six Cities' Comments: The Six Cities have no comments at this time on this aspect of the Straw Proposal but will review and potentially comment on specific proposed changes to tariff provisions when such proposed changes become available.

6. Reliability Assessment

- a. Planning Reserve Margin for Reliability Assessment
- b. Resource Counting Methodologies for Reliability Assessment
- c. ISO Backstop Procurement Authority for Reliability Assessment

Six Cities' Comments: Subject to evaluation of additional details when they are available, the Six Cities (a) support CAISO's proposal to establish a system-wide Planning Reserve Margin for the purpose of resource adequacy assessment (Straw Proposal at 12-13), (b) agree with CAISO's position that resource counting rules must be consistent for purposes of reliability assessment (Straw Proposal at 13), and (c) support CAISO's proposal to establish backstop procurement authority and procedures to address aggregate deficiencies in resources required to maintain reliability and to allocate costs for backstop procurement to LSEs that fail to procure their allocated shares of RA proportionate to their shortfall in assigned RA requirements (Straw Proposal at 13-14).

7. Other

Six Cities' Comments: The Six Cities offer the following comments on additional topics - -

- Retain bilateral RA market framework - - The Six Cities strongly support retention of the currently effective bilateral contracting framework for RA procurement. As CAISO noted at slide 12 in the presentation materials for the March 2nd meeting, the bilateral market for RA has worked well for the CAISO BAA and has provided ample, consistent, and effective support for reliability requirements. Moreover, the bilateral contracting framework is consistent with resource procurement practices in other BAAs that may participate in an expanded regional ISO. It is neither necessary nor appropriate to consider imposing a centralized capacity market in order to accomplish regionalization of CAISO's Day-Ahead and/or Real-Time markets.
- No expansion of virtual bidding - - In light of the potential for gaming and manipulation that may occur as a result of internal transfer capability constraints, the Six Cities strongly oppose any extension of virtual bidding opportunities and in particular oppose allowing submission of virtual bids at any locations affecting or affected by internal transfer capability constraints.
- Consistent application of RA requirements, must-offer obligations, and RAAIM - - In order to avoid leaning and cross-subsidization, rules and methodologies for establishing RA requirements, must-offer obligations, and application of RAAIM incentives and penalties must be consistent throughout the expanded BAA. Based on statements at the March 2nd meeting, the Six Cities understand CAISO intends to follow this principle.
- Schedule for initiative unreasonably short - - CAISO's proposed schedule for this initiative is too accelerated and the Straw Proposal too general to support meaningful evaluation and thoughtful development of regional RA rules. The Straw Proposal provides only a general framework, but the details for implementing that framework will be important. The details are not available now, and the rushed schedule proposed by CAISO provides no time to develop, much less carefully consider, such details.

Moreover, there is no legitimate reason to rush this process. The claim that PacifiCorp must have FERC-approved RA rules in place to enable review of its proposal to participate in an expanded ISO by its state regulators is fallacious. It would be contrary to all historical evidence for state regulators to presume that any set of RA rules, even if accepted by the FERC, would be static for any particular time period. A glance at the list of pending stakeholder initiatives available on CAISO's website reveals that changes to the CAISO tariff occur on an ongoing and nearly continual basis. In particular, tariff provisions relating to RA rules have changed substantially over the past three to five years to address evolution of the resource fleet and related operational impacts. There is no reason to expect that the tariff applicable to an expanded regional ISO will be any less dynamic. Indeed, with an expanded footprint and greater diversity of system conditions and available resources, it is more likely that tariff provisions may need to be modified even more frequently. New participants in the regional ISO

and their state regulators will have the same opportunities to participate in stakeholder initiatives and to shape tariff revisions as CAISO stakeholders have had all along.

In light of the constantly evolving nature of the tariff, it makes no sense to rush to judgement with respect to a set of regional RA rules that then will be subject to the same evolutionary process. There is no reason why state regulatory review of PacifiCorp's participation in a regional ISO based on CAISO's markets cannot proceed in parallel with the stakeholder initiative to develop regional RA rules or any other stakeholder initiative relevant to regionalization of CAISO's markets. Such parallel processes would enable better informed and more careful development of the initial rules applicable to a regional ISO and would afford PacifiCorp's state regulators a more realistic overview of the dynamic nature of the tariff and the process by which it changes.