

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**.

Western Grid Group (WGG), Natural Resources Defense Council (NRDC), and Northwest Energy Coalition (NVEC) appreciate the opportunity to offer comments on CAISO's February 24th [Regional Resource Adequacy Straw Proposal](#). We support the effort to update the Resource Adequacy framework to enable it to function in the context of a multi-state Regional System Operator (RSO) no later than January 1, 2019, and agree with the need to provide concrete tariff provisions for FERC review, and to enable non-California Public Utility Commissions (PUCs) to conduct a timely consideration of PacifiCorp joining the CAISO.

We also agree with Steve Berberich's view that "capability is the coin of the realm."¹ As more renewable energy is added in California and elsewhere, and as state and federal policies change to encourage more clean energy, measuring flows across the transmission grid and making assessments of grid congestion based on historical uses becomes less productive. More real time assessments must become the normal approach to meeting the grid's needs for increased capability and flexibility. If CAISO starts now to have these approaches in place to complement its current capacity based RA system, it could have a workable system to meet Mr. Berberich's injunction in place by the time the merger goes live in 2019.

While we understand that CAISO desires to limit the scope of this current RA initiative to only those items that must be changed to accommodate a multi-state RSO footprint, we believe this RA initiative offers opportunities for CAISO to launch a review of its default program that better

¹ Quotation from Steve Berberich made at the PowerGen 2015 Keynote Session, December 8, 2015 in Las Vegas, NV. See [Utility Dive Solar Newsletter, December 10, 2015](#).

aligns with the reality of the changing resource mix in the West. PUCs and other local regulatory authorities could then adopt this improved RA process in lieu of developing their own RA requirements. Ideally, this review and development of an improved RA default program should be completed within the timeframe of this initiative (before January 2019) to enable an improved RA default process to be adopted prior to the RSO becoming operational.

The CAISO should consider: Will historically based deliverability serve us well in a changing future? Will deliverability based on past grid flows be an adequate guide to reliability of future grid flows? Will real time grid deliverability tools now being demonstrated play a larger role in operations, and thereby need to be incorporated in reliability assessments? We believe such questions should be incorporated into the current reliability assessment evaluation, so they can be largely resolved by the time expanded RSO operations start.

We offer further discussion on the concept of an improved default program, as well as comments on the six RA Straw Proposal topics as requested.

Discussion

1. Load Forecasting

- We support CAISO’s proposal that coincident system load forecast for the expanded BAA would be created by the ISO in a transparent process. Assuring adequate resources to meet coincident system peak over a broad footprint will save consumers money compared to the current practice of each BAA building and operating resources for its individual peak load.
- We support CAISO’s proposal that the California Energy Commission (CEC) would continue to determine load forecasts for LSEs in the existing ISO BAA, while entities outside of the current BAA would create and submit their own load forecasts to the ISO in a transparent manner. In order to decrease confusion and undue burden, PacifiCorp and other LSEs should be encouraged to develop forecasting information similar to that which is developed by the CEC and used by CAISO in its RA process.
- We support CAISO’s proposal to review entities’ forecasts, and make adjustments if forecasts diverge unreasonably from actual peak loads or historical usage. Such review should be conducted in a transparent stakeholder forum.
- We urge that load forecasting for any expanded BAA should be robust and transparent. Results should be compared with forecasts and accuracy and forecast errors should be made public. Load forecasts should incorporate accurate energy efficiency and distributed generation projections. Accurate and publicly accountable forecasts are essential so that consumers are not forced to pay for infrastructure investments that result from inflated load forecasts.

2. Maximum Import Capability Methodology

- More analysis is needed by CAISO to determine whether there are any flaws in extending the current Maximum Import Capability (MIC) methodology to the larger footprint. As a starting point, the CAISO should apply the current MIC methodology to

the larger CAISO and PacifiCorp footprint and explain its findings. The analysis should explain how pre-existing contractual obligations will be treated for MIC calculations and allocations. Such an analysis will be particularly helpful for understanding the impact of the MIC methodology that covers a large footprint with limited transmission capacity between two big pieces of the footprint (CAISO and PacifiCorp). A technical forum would be a great starting point to share ideas on the MIC methodology.

3. Internal RA Transfer Capability Constraints

- We support CAISO’s proposal to ensure that any constraints that may potentially limit the transfers of RA resources between major internal areas in an expanded BAA are identified and accurately recognized in RA determinations in the ISO’s related processes. However, we request that CAISO identify the paths where RA transfer capability constraints will arise in the larger footprint. This information will be helpful to stakeholders who are trying to assess the benefits and risks of alternative counting mechanisms.

4. Allocation of RA Requirements to LRAs/LSEs

- We support CAISO’s proposal to allow LRAs to allocate RA requirements to their jurisdictional LSEs, or provide LRAs the option for CAISO to allocate RA requirements directly to LSEs.

5. Updating ISO Tariff Language to be More Generic

- We support CAISO’s proposal to avoid creating any unintentional barriers or consequences due to California-specific language currently used, to accommodate additional regulatory authorities beyond current CPUC and non-CPUC jurisdictional entities, and to amend the tariff to reflect multiple time zones in an expanded BAA. We believe that keeping this mindset and making these changes in all related RSO documents and forums should be encouraged and will promote broader support.

6. Reliability Assessment

a. Planning Reserve Margin for Reliability Assessment

- We support CAISO’s proposal to establish a minimum PRM to avoid capacity “leaning”, while preserving avoidance of prescribed PRM assignments to new RSO entrants. WGG, NRDC, and NWECA support allowance of individual LSE and LRA PRM standards, subject to CAISO’s minimum requirements, and perhaps specific zonal constraints that could provide additional safeguards against capacity leaning.

b. Resource Counting Methodologies for Reliability Assessment

- We believe that a growing movement toward using an Effective Load Carrying Capability (ELCC) methodology that fairly and appropriately reflects the performance capabilities for each resource for determining qualifying capacity should be accelerated. There are issues that need to be faced when implementing ELCC, or less computationally challenging short-cut methods that approximate ELCC study outcomes. We would urge CAISO to propose in an open stakeholder forum, which ELCC approach it recommends in order to start discussions about the

implementation details for an ELCC process. An evaluation of the experience with the CAISO deliverability assessment process including the flexible capacity and “must offer” requirements should be undertaken and reforms adopted as part of adapting the RA program to the expanded CAISO footprint.

- c. ISO Backstop Procurement Authority for Reliability Assessment
 - We support the position that backstop procurement costs should flow to beneficiaries of procurement and those not benefiting should not be assigned costs.
 - We support the concept that tracking cost causation by placing backstop procurement risk with entities that are shown to be short is appropriate.

7. Other

WGG, NRDC, and NWEAC have concerns that the current implementation of the RA process at CAISO, through its deliverability assessment, is overly restricting various resources to meet system resource adequacy needs. In particular, we believe that the use of an N-2 contingency condition as a requirement for deliverability eligibility is not only overly restrictive, but also leads to unnecessary investment in infrastructure upgrades and new infrastructure. Today’s resource assessment process has served well, but changes in how the grid will be used in the future are coming. Both state policies and well established technology and cost trends suggest that tomorrow’s grid will be incorporating much more clean and renewable energy². These changes will impact how reliability assessments need to be conducted to meet reliability concerns in the future. As previously noted, Mr. Berberich has called for more attention to “capabilities” and there is growing interest in increased flexibility as a grid assessment topic. As previously noted, WGG, NRDC, and NWEAC urge CAISO to recognize that deliverability based on past grid flows will not be an adequate guide to reliability of future grid flows, and thus, more real-time analytical tools and stochastic modeling efforts will be required to deal with a growing penetration of variable, renewable energy resources.

Finally, we urge CAISO to convene additional technical workshop sessions prior to the May 10th completion of the draft final RA proposal so stakeholders will have the opportunity to provide input regarding the many details that are yet to be resolved. Such details include methodologies for establishing either a formulaic or minimum PRM, decisions whether to use ELCC or a methodology that approximates ELCC in resource counting, identifying what changes will be required to the current MIC methodology, and how to incorporate more real time tools into reliability assessments as renewable energy resources continue to comprise larger portions of the grid.

WGG, NRDC, and NWEAC appreciate the opportunity to offer comments on this important initiative.

² As examples, see (1) [November 2015 Levelized Cost of Energy Analysis](#) from the financial advisory and asset management firm, Lazard; (2) Lawrence Berkeley Lab’s (LBL) [“Wind Energy in the United States is at an All-time Low”](#); and (3) LBL’s 2015 report on [Utility Scale Solar Cost, Performance & Pricing Trends](#).