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 to the Second Revised Straw Proposal for the Regional Resource Adequacy initiative that was posted on May 26, 2016. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **June 15, 2016.**

Please provide feedback on the Regional RA Straw Proposal topics:

1. **Resource Adequacy Unit Outage Substitution Rules for Internal and External Resources**

   XES views Resource Adequacy (RA) as a forward looking, long term calculation, and not a real-time function. At a minimum, RA should be calculated over a monthly or seasonal time -frame. If an RA resource is forced out of service for a subset of the RA time period, the LSE should not be required to find a substitute RA resource because the margin requirement established through the PRM analysis is by definition in anticipation of forced outage availability risks. Requiring both a PRM and RA substitution for every RA resource on outage defeats the purpose of having a PRM. For outages lasting beyond the RA time period, XES supports allowing external RA resources to substitute for internal RA resources as long as the external RA resource is required to offer into the market. The ISO shouldn't be concerned if the external RA is a different type of resource than the internal RA resource ("like for like" as described in the ISO meeting) as long as the external RA generation is able to provide the substitute MWs and offer into the market to cover the internal RA shortfall.

2. **Discussion of Import Resources that Qualify for RA Purposes**

   XES recommends that external generation be accredited as acceptable for meeting the RA margin if 1) the Load Serving Entity (LSE) inside the ISO footprint holds firm transmission service from the external source(s) to its load (along all segments); and 2) the generation must be offered in the ISO market. If the LSE does not have a specific generator as its

source, but the transmission service sources to an external "slice of system" or Hub, the LSE should be eligible to count that generation as RA, assuming it is offered into the market. Acceptable technical mechanisms for transferring the generation output to the market could include via E-Tag, dynamic schedule, or pseudo-tie, as long as the delivery right is supported by firm transmission service. This approach is consistent with methods used in other RTO/ISO regions. Also, it captures the requirement that RA is a capacity mechanism to ensure adequate generation in the footprint in the planning horizon to address the risk of operating horizon shortfalls within an acceptably-low probability of occurrence. Anything less than firm transmission service and required participation in the market would miss the mark for resource adequacy because the generation may be restricted from delivery in non-emergency events or could be committed to another area of WECC.

3. Load Forecasting

XES supports the latest load forecasting proposal.

4. Maximum Import Capability

XES reiterates its request for the ISO to provide graphical examples of how the proposal for MIC will work under an expanded footprint. The ISO should select a handful of hypothetical scenarios in order for stakeholders to better understand the ISO proposal. For example, one scenario could include a new intertie (as a result of the expanded footprint) and how an existing transaction will affect the intertie MIC calculations and the MIC allocation to the customers associated with the transaction, including other customers within the footprint that have no historical contracts with that tie.

Another scenario could show how the ISO anticipates a customer using MIC on an existing intertie will be affected when the intertie goes away as a result of the expanded footprint. These scenarios will be helpful for discussion purposes and could forestall the need for a MIC working group (something the ISO mentioned was a possibility) because stakeholders would have a better understanding of the design.

Next, XES has concerns about the ISO's latest proposal to limit the initial allocations of MIC to the sub-regions based on what those sub-regions bring to the footprint. The ISO defended its position by saying this limitation would protect existing MIC calculations and respect the amount of MIC a sub-region brings to the footprint, but still allow for benefits of an expanded footprint because any remaining capability would be eligible for system-wide allocations, after the sub-region made the first pass. XES is concerned that this approach is unnecessary and will limit the RA benefits of consolidating the expanded footprint, because in an open access transmission environment, the uncommitted uses of the grid are not to be withheld as an optional call for the current local grid customers, but should be available for prospective use by any eligible entity.

The inclusion of initial sub-regional allocation in this calculation introduces a layer of complexity that isn't necessary. The ISO has explained that the calculation of MIC already protects existing contractual rights and pre-existing commitments. Sub-regional LSE's rights

to a sub-region's MIC isn't appropriate because the MIC calculation has accounted for and respected those LSE's historical rights. By carving out sections of the footprint, like this proposal suggests, the ISO is neglecting the prospective benefits of expansion for the regional tariff footprint. Regional expansion allows for LSEs to use the system in ways previously not possible and the proposed approach would place priority on historical silos making the RA construct of the expanded ISO region less accessible and less efficient for LSE's across the footprint.

5. Monitoring Locational Resource Adequacy Needs and Procurement Levels

XES supports the ISO's decision to remove the "zonal" RA concept from its design. Monitoring RA on a more granular level should be sufficient, instead of creating a complex design with unknown benefits.

6. Allocation of RA Requirements to LRAs/LSEs

XES views RA requirements as a State jurisdictional issue. The role of an RTO across multiple jurisdictions should be to establish a region-wide PRM. The ISO continues to use the phrase "allocation of RA" to the LRAs and the LSEs, but we believe this phrasing is incorrect. Instead, the RTO should be establishing a region-wide PRM and it is the obligation of the LSE's to satisfy their portion of the PRM in coordination with its applicable LRA(s). For example, if the ISO sets a region-wide PRM of 15%, it is not the RTO's responsibility to allocate corresponding RA obligation amounts to each LSE through an LRA. The LRA has the authority to defer to the RTO's PRM amount or deviate from it by, for example, making the requirement for an LSE within its jurisdiction at some other level such as 17%. Whether the PRM percentage is 15% for one LSE or 17% for another LSE, the RTO should only be concerned with ensuring each LSE demonstrates it has enough RA resources to satisfy the PRM amount approved by the RTO. To our knowledge, LRAs in other RTOs have never recommended a PRM below the RTO's suggested amount, however, in the event it does happen, we recommend the LRA and the ISO work together to resolve the differences in a way that can ensure the regional RA needs are satisfied.

7. Reliability Assessment

a. Planning Reserve Margin for Reliability Assessment

XES supports the ISO's latest proposal to establish a PRM target using a probabilistic methodology and is supportive of using the 1 in 10 LOLE approach because it is the standard used in other regions.

b. Resource Counting Methodologies for Reliability Assessment

XES supports the ISO's proposal to use a uniform approach to counting capacity values for the various resource types across the regional footprint and is generally ok with

counting methodologies proposed by the ISO. However, XES supports LCC (instead of the exceedance method) for wind and solar because the probabilistic approach better evaluates a resource's likely contribution to the needs of the system. XES encourages the ISO to move to an ELCC approach as soon as possible.

8. Other