March 18, 2021

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: California Independent System Operator Corporation
Docket No. ER21-_______-000

Available Import Capability Multi-Year Allocation

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) submits this tariff amendment[1] to revise its available import capability allocation process to allow load serving entities to reserve import capability at the intertie level on a multi-year basis, consistent with their long-term import contracts, during each annual import capability allocation process. In addition, the CAISO proposes to revise its existing import allocation process to allocate Remaining Import Capability consistent with Load Share Quantity and to increase transparency by publishing information regarding import capability allocations at each Intertie.

The proposed tariff amendments create a new opportunity for load serving entities to reserve multi-year import capability at the intertie level based on their showing of multi-year contracted import capacity during the existing 13-step annual import allocation process. Currently, load serving entities cannot reserve multi-year import capability at the intertie level to support import capacity contracts.[2] As a result, they cannot ensure they will have sufficient import capability to support their import capacity contracts at any specific intertie from one year to the next. If a load serving entity does not have sufficient import capability to support an import capacity contract, the contract cannot count

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[1] The CAISO submits this filing pursuant to section 205 of the Federal Power Act (FPA), 16 U.S.C. § 824d. Capitalized terms not otherwise defined herein have the meanings set forth in the CAISO tariff, and references to specific sections, articles, and appendices are references to sections, articles, and appendices in the current CAISO tariff and as revised or proposed in this filing, unless otherwise indicated.

[2] Except import allocations supported by pre-CAISO or pre-RA construct agreements, *i.e.*, Existing Contracts, Transmission Ownership Rights, and Pre-RA Import Commitments.

toward meeting the load serving entity's resource adequacy requirements. The annual nature of the import allocation process creates uncertainty regarding any individual load serving entity's ability to obtain sufficient import capability at a specific intertie to support its long-term import contracts.

To address this issue, the CAISO proposes to allow load serving entities to reserve multi-year import capability at the intertie level for shown multi-year import capacity contracts. The proposed tariff revisions update the import capability allocation process to facilitate long-term procurement of import resources. The multi-year reservation of import capability at the intertie level will also remove barriers to new resource development external to the CAISO Balancing Authority Area. It allows multi-year import contracts tied to resource-specific resources to lock a load serving entity's remaining import capability at the intertie level for the length of the long-term contract.

The CAISO respectfully requests the Commission issue an order by May 28, 2021 accepting the proposed tariff revisions effective June 1, 2021. The CAISO needs an order in this timeframe to prepare for its import capability allocation process for calendar year 2022, which commences on June 1, 2021.

I. Background

A. The California's Resource Adequacy Program and the Role of Import Resources

The CAISO's resource adequacy (RA) program, which the CAISO administers jointly with the California Public Utilities Commission (CPUC) and other local regulatory authorities in the CAISO balancing authority area, seeks to secure sufficient capacity when and where needed to support the safe and reliable operation of the CAISO grid.

The CAISO's RA program requires load serving entities (through scheduling coordinators) to file annual and monthly Resource Adequacy Plans detailing the resources they will rely on to satisfy applicable Demand and any applicable Reserve Margin requirements. Resources shown on the Resource Adequacy Plans must be deliverable to load to meet RA requirements. The CAISO conducts a deliverability assessment to ensure that all fully and partially deliverable internal resources, along with the established maximum import capability, can serve the aggregate of load.[3] Although deliverability for internal resources is owned by each resource, the deliverability of imports, or maximum import capability, is assigned every year to load serving entities.[4]

3 CAISO tariff, section 40.4.6.1.

4 CAISO tariff, section 40.4.6.2.

The Available Import Capability assignment process determines the maximum import capability for each Intertie into the CAISO Balancing Authority Area. The CAISO then allocates Available Import Capability on the Interties to load serving entities. For an import to satisfy a load serving entity's RA requirements, the load serving entity must have an import capability allocation at the import Scheduling Point that is greater than or equal to the Resource Adequacy Capacity provided by the import resource.[5]

B. Establishing Maximum Import Capability

The CAISO's annual Available Import Capability assignment process begins by establishing the Maximum Import Capability on Interties into the CAISO Balancing Authority Area.[6] As part of this process, the CAISO calculates Available Import Capability for each Intertie using historical import schedule data during high load periods for the two years (of the last five) with the highest imports.[7] The CAISO selects the sample hours from these years by identifying the two hours (on different days) in the two years with the highest total import level when peak load was at least 90 percent of the annual system peak load.[8] The CAISO then adds these scheduled net import values for each intertie with unused existing transmission contract rights and transmission ownership rights, averaged over the four selected historical hours, to determine the Available Import Capability for resource adequacy purposes.[9]

The CAISO's calculation of Maximum Import Capability at its Interties serves as a basis to establish Available Import Capability for resource adequacy purposes. The data reflects feasible real-time schedules under N-1 secure

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5 CAISO tariff, section 40.8.1.12.

6 *See generally* CAISO tariff, section 40.4.6.2. The CAISO tariff defines maximum import capability as "a quantity in MW determined by the CAISO for each Intertie into the CAISO Balancing Authority Area to be deliverable to the CAISO Balancing Authority Area based on CAISO study criteria." *See* Appendix A to the CAISO tariff.

7 CAISO Business Practice Manual for Reliability Requirements at 67-69. https://bpmcm.caiso.com/Pages/BPMDetails.aspx?BPM=Reliability%20Requirements. For Resource Adequacy year 2020 and prior years, the CAISO's calculation used only the two preceding years to establish Maximum Import Capability.

8 *Id.*

9 *Id.* The CAISO tariff defines available import capability as "the Maximum Import Capability of an Intertie into the CAISO Balancing Authority Area in MW deliverable to the CAISO Balancing Authority Area based on CAISO study criteria minus the sum in MW of all Existing Contracts and Transmission Ownership Rights over that Intertie held by load serving entities that do not serve Load within the CAISO Balancing Authority Area." *See* Appendix A to the CAISO tariff.

operating conditions. Because the CAISO uses actual schedules, the CAISO's approach demonstrates not only that import capability is simultaneously feasible, but also that physical resources exist, are available, and have scheduled their output to serve load within the CAISO's balancing authority. The CAISO notes, however, that changes in transmission capability and system conditions occurring subsequent to the CAISO's calculation can change actual import capability levels.

On prospective basis, if necessary, the CAISO increases maximum import capability at specific interties to meet state and federal policy goals. The CAISO assures through deliverability studies that both the increased maximum import capability and internal generation are deliverable to the aggregate of load. If necessary, through the Transmission Planning Process (TPP), transmission upgrades are approved and built before additional deliverability is made available to increased imports and new internal resources.

C. The CAISO's Existing Available Import Capability Assignment Process

After establishing the Maximum Import Capability for each Intertie into the CAISO Balancing Authority Area, the CAISO conducts a multi-step process to allocate the Available Import Capability to load serving entities. The CAISO first subtracts any import capability associated with (1) Existing Contracts and (2) Transmission Ownership Rights held by load serving entities not serving load in the CAISO Balancing Authority Area.[10]

Next, the CAISO reserves Available Import Capability for holders of Existing Contracts and Transmission Ownership Rights held by load serving entities serving load within the CAISO to establish Total Import Capability.[11] From the remaining amount, the CAISO then assigns Available Import Capability to load serving entities

10 CAISO tariff, Section 40.4.6.2.1, Step 2.

11 CAISO tariff, Section 40.4.6.2.1, Step 3.

based on Pre-RA Import Commitments.[12] The CAISO then assigns the Remaining Import Capability[13] to load serving entities based on Load Share Quantity.

The CAISO provides Available Import Capability allocations annually for the subsequent RA year. Currently, load serving entities can retain import capability at the intertie level based on Existing Contracts, Transmission Ownership Rights, and Pre-RA Import Commitments, to the extent the Maximum Import Capability is available, for the duration of the associated contract. Load serving entities receiving an import allocation based on Remaining Import Capability for the subsequent year have no assurance they will receive import capability at a given intertie in future years.

The current annual process does not provide load serving entities with certainty they can retain the same amount of RA import allocation on any particular intertie year-to-year. This has not been a significant concern in the past because (1) significant external resources have been available and (2) import capacity was allocated to a relatively small number of larger load serving entities with high load share ratios at the CAISO coincident peak (thus producing a fairly stable year-to-year allocation). However, these conditions are changing and creating greater uncertainty. In that regard, there is increased competition for resources in the Western Interconnection, which likely will require CAISO load serving entities to pursue multi-year import agreements to provide long-term stability. Further, Community Choice Aggregation (CCA) entities have taken over a significant share of the load serving responsibility. The growing number of load serving entities receiving import allocations has increased the variability of year-to-year import allocations and generally resulted in smaller import allocation shares for individual load serving entities. This causes uncertainty regarding any individual load serving entity's year-to-year import allocation quantity at the intertie level.

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12 CAISO tariff, Section 40.4.6.2.1, Step 4. CAISO tariff Appendix A defines "Pre-RA Import Commitment" as "Any power purchase agreement, ownership interest, or other commercial arrangement entered into on or before March 10, 2006, by a Load Serving Entity serving Load in the CAISO Balancing Authority Area for the procurement of Energy or capacity from a resource or resources located outside the CAISO Balancing Authority Area. The Pre-RA Import Commitment shall be deemed to terminate upon the expiration of the initial term of the Pre-RA Import Commitment, notwithstanding any "evergreen" or other renewal provision exercisable at the option of the Load Serving Entity. Notwithstanding the above, a contract for delivery entered under Schedule A or B of 43 USC § 619a is a Pre-RA Import Commitment, the term of which does not expire with the expiration of any contractual arrangements entered into to implement such entitlements."

13 CAISO tariff Appendix A defines "Remaining Import Capability" as "The quantity in MW of Total Import Capability assigned to a Load Serving Entity up to its Load Share Quantity after the assignment of Existing Contract Import Capability and Pre-RA Import Commitment Capability."

III. Proposed Tariff Changes

A. Multi-Year Import Allocation Reservations

The current annual import allocation process does not provide load serving entities with certainty they can retain the same RA import allocation on any particular Intertie year-after-year. This has not been a significant concern in the past, but is a greater concern now, for the reasons identified above.

To address these issues and provide certainty regarding future import allocations, the CAISO proposes to allow load serving entities to reserve multi-year import capability at the intertie level for import capacity procured pursuant to a multi-year contract. To accomplish this, the CAISO will allow load serving entities to reserve import capability received as Remaining Import Capability at the intertie (branch group) level with supporting long-term import contracts.

To reserve Remaining Import Capability at the intertie (branch group) level, the load serving entity will provide a New Use Import Commitment, which is defined as a power purchase agreement, ownership interest, or other commercial arrangement for the procurement of capacity from a resource specific or aggregation of resources consistent of Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources.[14] The New Use Import Commitment will terminate upon the expiration of the initial term of the contract, notwithstanding any "evergreen" or renewal provision.

During the term of the New Use Import Commitment, the CAISO will allocate the load serving entity New Use Import Commitment Capability at the intertie (branch group) level during the annual import allocation process.[15] The New Use Import Commitment Capability allocation will occur after the CAISO allocates import capability associated with Existing Contracts, Transmission Ownership Rights, and Pre-RA Import Commitments, but before the CAISO allocates Remaining Import Capability to load serving entities based on Load Share Quantity.[16] In other words, load serving entities with qualifying long-term import contracts will be able to reserve import capability for the term of the contract. This process is analogous to how the CAISO reserves import capability for Pre-RA Commitments in the current import allocation process.

Initially, the CAISO proposes that only contracts with Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources can qualify to reserve New Use Import Commitment Capability. Requiring New Use Import

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14 Proposed "New Use Import Commitment," Appendix A to the CAISO tariff.

15 Proposed "New Use Import Commitment Capability," Appendix A to the CAISO tariff.

16 Proposed Tariff Section 40.4.6.2.1, Step 4b.

Commitments to be back by Pseudo-Tie Generating Units or Dynamic Resource-Specific Resources is consistent with the CPUC's recent decision on RA imports.[17] Requiring New Use Import Commitments to be backed by Pseudo-Tie or Dynamic Resource-Specific System Resources, not only ensures external resources supporting a multi-year import capability allocation are supported by specific, dedicated resources, it also ensures they will have must offer obligations and be deliverable on the same basis as RA capacity within the CAISO.

In the future, the CAISO may consider allowing other import resources to support New Use Import Commitments. In the ongoing Resource Adequacy Enhancements Initiative the CAISO has proposed allowing Non-Dynamic Resource Specific System Resources to qualify as RA import capacity. These resources could be (1) a specific external resource, (2) a specified aggregation or portfolio of resources in a single external Balancing Authority Area, or (3) if the Balancing Authority Area is the RA import supplier, the Balancing Authority Area's pool of resources (system resources) supporting the RA import.[18]

The CAISO's proposed tariff amendments will allow load serving entities to reserve up to 75% of their total year-ahead import allocation at the intertie (branch group) level. The total reserved amount for each load serving entity represents the sum of all their Existing Contract Import Capability, Pre-RA Import Commitment Capability and New Use Import Commitment Capability.[19]

The CAISO proposes to allow New Use Import Commitments consistent with the initial term of the underlying contract, but the reserved quantity cannot exceed a future year's Load Share Quantity.[20] If a load serving entity's import allocation would exceed its Load Share Quantity due to a New Use Import Commitment, the CAISO will reduce import allocation associated with New Use Import Commitment consistent with the load serving entity's stated preference.[21] In addition, any material modification to electric or operational characteristics of a New Use Import Commitment contract will result in the loss of New Use Import

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17 CPUC Decision 20-06-028, pp. 69-70. The CPUC's decision requires RA imports to either (1) be Pseudo-Tie or Dynamic Resource-Specific Resources or (2) to self-schedule into the CAISO markets during particular hours.

18 *See* CAISO Resource Adequacy Enhancements, Draft Final Proposal and Sixth Straw Proposal, p. 31. http://www.caiso.com/InitiativeDocuments/DraftFinalProposal-SixthRevisedStrawProposal-ResourceAdequacyEnhancements.pdf.

19 Proposed Section 40.4.6.2.2.4 of the CAISO tariff. A load serving entity's total import allocation is the sum of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability and Remaining Import Capability as communicated per Step 7 of the CAISO's import allocation process.

20 Proposed Section 40.4.6.2.2.4 of the CAISO tariff. The CAISO tariff defines "Load Share Quantity" as "The product of Total Import Capability and Import Capability Load Share."

21 Proposed Section 40.4.6.2.2.4 of the CAISO tariff.

Commitment status.[22]

The Commission should accept these tariff revisions as just and reasonable. They build off the existing import allocation process to allow load serving entities to pursue multi-year import contracts with added assurance that such contracts will count toward system resource adequacy requirements in future years. The proposed amendments will allow load serving entities to enter into multi-year import contracts to secure necessary resources to serve California resource adequacy needs. Without these revisions, load serving entities will have no ability to secure long-term import capability at the intertie level to support multi-year contracts. Stakeholders broadly supported these revisions and the underlying need to allow load serving entities to secure multi-year import capability at the intertie level, though Southern California Edison Company expressed concern regarding implementing these revisions prior to the CPUC adopting multi-year resource adequacy requirements.

B. Revisions to the Remaining Import Capability Allocation

The CAISO proposes to modify the existing methodology for allocating Remaining Import Capability to load serving entities. Currently, the CAISO assigns Remaining Import Capability to load serving entities that have not received Existing Contract Import Capability and Pre-RA Import Commitment Capability exceeding their Load Share Quantity.[23] The CAISO currently assigns Remaining Import Capability to load serving entities eligible to receive an assignment based on each load serving entity's Import Capability Load Share Ratio up to, but not in excess of, its Load Share Quantity.

The CAISO's proposed tariff amendment would modify Step 5 of the import allocation process to calculate each load serving entities' Remaining Import Capability allocation by the product of its load share after Step 4 (after removing non-eligible load serving entities) and the gross Remaining Import Capability. For this calculation, the gross Remaining Import Capability includes the Total Import Capability less any quantities previously assigned to load serving entities ineligible to receive Remaining Import Allocation.

Tables 1 and 2 below provide an illustrative example of how this revision will operate in practice.

22 Proposed Section 40.4.6.2.2.4 of the CAISO tariff.

23 Existing CAISO tariff Section 40.4.6.2.1, Step 5.

Table 4: Current RIC[24] allocation methodology

TIC[25] = 500	Load share ratio	Steps 3 & 4	Load share quantity	Load Share after step 4	RIC assignment	Actual allocation MW	Effective allocation
LSE 1	53	15	500*.53=265	.53/.98=.54	300*.54=162	177	177/265=.67
LSE 2	40	75	500*.40=200	.40/.98=.41	300*.41=123	198	198/200=.99
LSE 3	5	10	500*.05=25	.05/.98=.05	300*.05=15	25	25/25=1
LSE 4	2	100	500*.02=10	-	-	100	100/10=10

Table 5: Proposed new RIC allocation methodology

TIC = 500	Load share ratio	Steps 3 & 4	Load share quantity	Load Share after step 4	GRIC[26] share	RIC assignment	Actual allocation MW	Effective allocation
LSE 1	53	15	500*.53=265	.53/.98=.54	400*.54=216.3	216-15=201.3	216.3	216.3/265=.82
LSE 2	40	75	500*.40=200	.40/.98=.41	400*.41=163.3	163.3-75=88.3	163.3	163.3/200=.82
LSE 3	5	10	500*.05=25	.05/.98=.05	400*.05=20.4	20.4-10=10.4	20.4	20.4/25=.82
LSE 4	2	100	500*.02=10	-	-	-	100	100/10=10

The Commission should accept these revisions as just and reasonable because they produce import allocations that are consistent with load serving entities' Import Capability Load Share, while respecting allocations based on prior steps in the import allocation process. No stakeholders opposed these revisions.

C. Providing Additional Transparency Regarding Import Allocations

The CAISO proposes to provide additional transparency regarding import allocations by publishing information for each intertie (branch group) the identities of the load serving entity holders and reserved import capability quantities based on Existing Contracts, Transmission Ownership Rights, Pre-RA Import Commitments, and New Use Import Commitments.[27] The CAISO will also provide information regarding the period for any reserved quantities on each intertie (branch group).

The Commission should approve these revisions because the additional transparency will provide load serving entities and other stakeholders with

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24 Remaining Import Capability.

25 Total Import Capability.

26 Gross Remaining Import Capability = TIC-∑ (MWs assigned to non-eligible LSEs).

27 Proposed Section 40.4.6.2.1, Step 6(e) of the CAISO tariff.

information regarding current and future import capability availability at the intertie level. Stakeholders broadly supported these proposed revisions.

IV. Stakeholder Process

The stakeholder process that resulted in this filing included:

- An issue paper, followed by three draft straw proposals and a draft final proposals;
- Seven stakeholder meetings and conference calls to discuss CAISO papers and the draft tariff revisions; and
- Seven opportunities to submit comments on the CAISO proposals and draft tariff revisions;

CAISO management presented the proposals to the CAISO Board during its public meeting on October 1, 2020. The Board voted unanimously to authorize this filing.[28]

Stakeholders generally supported the CAISO's proposals as presented in this filing. During the development of the multi-year reservation of import capability at the intertie level, CPUC Staff supported a multi-year reservation of import capability at the intertie level,[29] but opposed the CAISO's original proposal, because it did not adequately define which import resources load serving entities could use to reserve multi-year import capability at the intertie level. CPUC Staff requested the CAISO to "align the resources that can be used to lock [import capability] with the eligible resources identified in D.19-11-016."[30] To address this issue, the CAISO modified the proposed tariff language to specify only Pseudo-Tie or Dynamic Resource-Specific Resources will be eligible to qualify as New Use Import Commitments. These revisions are consistent with CPUC Decision 19-11-016.

Southern California Edison Company argued the CAISO should wait to

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28 Materials related to the Board's authorization to prepare and submit this filing are available on the CAISO website at http://www.caiso.com/informed/Pages/BoardCommittees/BoardGovernorsMeetings.aspx. The memorandum provided to the Board regarding the proposals in this filing is contained in Attachment C to this filing.

29 CPUC Staff Comments on Maximum Import Capability Stabilization and Multi-Year Allocation, dated June 10, 2020. http://www.caiso.com/InitiativeDocuments/CPUCEnergyDivisionComments-MICStabilization-Multi-YearAllocation-SecondRevisedStrawProposal.pdf.

30 CPUC Staff Comments on Maximum Import Capability Stabilization and Multi-Year Allocation, dated August 13, 2020. http://www.caiso.com/InitiativeDocuments/EnergyDivisionStaffComments-MICStabilizationandMulti-yearAllocation-DraftFinalProposal.pdf.

implement multi-year allocation until after the CPUC or other Local Regulatory Authorities establish multi-year system resource adequacy requirements. The CAISO agrees with the need for close coordination with Local Regulatory Authorities, but the option to reserve multi-year import capability at the intertie level provides an immediate, direct, and significant benefit to load serving entities by allowing them to secure long-term import contracts. If Local Regulatory Authorities adopt multi-year resource adequacy requirements, the CAISO will work to ensure the import allocation process remains consistent with those requirements.

V. Effective Date

For the reasons discussed in this filing, the CAISO requests the Commission the Commission issue an order by May 28, 2021 accepting the proposed tariff provisions effective June 1, 2021. The CAISO needs a Commission order before commencing its annual import allocation process for resource adequacy year 2022, so it can adequately and properly prepare for that process that starts on June 1, 2021.

VI. Communications

In accordance with the Commission's regulations,[31] correspondence and other communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Commission with respect to this filing:

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General Counsel
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31 18 C.F.R. § 385.203(b).

VII. Service

The CAISO has served copies of this filing on the CPUC, the California Energy Commission, and all parties with scheduling coordinator agreements under the CAISO tariff. In addition, the CAISO has posted a copy of the filing on the CAISO website.

VIII. Contents of Filing

In addition to this transmittal letter, this filing includes the following attachments:

Attachment A	Clean CAISO tariff sheets for this tariff amendment;
Attachment B	Red-lined document showing the revisions contained in this tariff amendment;
Attachment C	Board of Governors Memorandum; and
Attachment D	Final draft proposal on this tariff amendment.

IX. Conclusion

For the reasons set forth in this filing, the CAISO respectfully requests that the Commission issue an order by May 28, 2021, accepting the tariff revisions contained in this filing effective June 1, 2021.

Respectfully submitted,

<u>/s/ Jordan Pinjuv</u>

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Attachment A – Clean Tariff

Maximum Import Capacity Stabilization and Multi-Year Allocation

California Independent System Operator Corporation

March 18, 2021

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40.4.6 Reductions for Deliverability

40.4.6.1 Deliverability Within the CAISO Balancing Authority Area

In order to determine Net Qualifying Capacity from Resource Adequacy Resources subject to this Section 40.4, the CAISO will determine that a Resource Adequacy Resource is available to serve the aggregate of Load by means of a deliverability study. Documentation explaining the CAISO's deliverability analysis will be posted on the CAISO Website. The deliverability study will be performed annually and shall focus on peak Demand conditions. The results of the deliverability study shall be incorporated into the Net Qualifying Capacity annual report under Section 40.4.2 and will be effective for the next Resource Adequacy Compliance Year. To the extent the deliverability study shows that the Qualifying Capacity is not deliverable to the aggregate of Demand under the conditions studied, the Qualifying Capacity of the Resource Adequacy Resource will be reduced on a MW basis for the capacity that is undeliverable. Resources will be electrically grouped in a manner consistent with the CAISO Deliverability Assessment methodology posted on the CAISO Website. For Resource Adequacy Resources in the same electrical group which have identified deliverability constraints, the Qualifying Capacity of the Resource Adequacy Resources that obtained Full Capacity Deliverability Status or partial deliverability through Section 8.2 of Appendix Y to this CAISO Tariff will be reduced prior to reducing the Qualifying Capacity of those resources which were originally provided Full Capacity Deliverability Status pursuant to inclusion in an Interconnection Study Cycle under Appendix Y to this CAISO Tariff.

40.4.6.2 Deliverability of Imports

40.4.6.2.1 Available Import Capability Assignment Process

For Resource Adequacy Plans, total Available Import Capability will be assigned on an annual basis for a one-year term to Scheduling Coordinators representing Load Serving Entities serving Load in the CAISO Balancing Authority Area and, in limited circumstances, to Scheduling Coordinators representing Participating Generators or System Resources, as described by the following sequence of steps.

Step 1: Determination of Maximum Import Capability on Interties into the CAISO Balancing Authority Area: The CAISO shall establish the Maximum Import Capability for each Intertie into the CAISO

Balancing Authority Area, and will post those values on the CAISO Website in accordance with the schedule and process set forth in the Business Practice Manual.

Step 2: Determination of Available Import Capability by Accounting for Existing Contracts and Transmission Ownership Rights Held by Out-of-Balancing Authority Area LSEs: For each Intertie, the Available Import Capability will be determined by subtracting from the Maximum Import Capability established in Step 1 for each Intertie the import capability on each Intertie associated with (i) Existing Contracts and (ii) Transmission Ownership Rights held by load serving entities that do not serve Load within the CAISO Balancing Authority Area. The remaining sum of all Intertie Available Import Capability is the Total Import Capability. Total Import Capability shall be used to determine the Load Share Quantity for each Load Serving Entity that serves Load within the CAISO Balancing Authority Area.

Step 3: Determination of Existing Contract Import Capability by Accounting for Existing Contracts and Transmission Ownership Rights Held by CAISO Balancing Authority Area LSEs: From the Available Import Capability remaining on each Intertie after Step 2 above, Existing Contracts and Transmission Ownership Rights held by Load Serving Entities that serve Load within the CAISO Balancing Authority Area shall be reserved for the holders of such commitments and will not be subject to reduction under any subsequent steps in this Section. The import capability reserved pursuant to this Step 3 is the Existing Contract Import Capability.

Step 4a: Assignment of Pre-RA Import Commitments: From the Available Import Capability remaining on each Intertie after reserving Existing Contract Import Capability under Step 3 above, the CAISO will assign to Load Serving Entities serving Load within the CAISO Balancing Authority Area Pre-RA Import Commitment Capability on a particular Intertie based on Pre-RA Import Commitments in effect (where a supplier has an obligation to deliver the Energy or make the capacity available) at any time during the Resource Adequacy Compliance Year for which the Available Import Capability assignment is being performed. The Pre-RA Import Commitment will be assigned to the Intertie selected by the Load Serving Entity during the submission of the import commitment data template as required per Business Process Manual, and it must be the primary Intertie upon which the Energy or capacity is anticipated to be scheduled. If a Pre-RA Import Commitment submitted on behalf of a LSE with Existing Contract Import Capability is assigned under this Section to the same Intertie on which the LSE holds Existing Contract

Import Capability, the Pre-RA Import Commitment will be assumed to deliver over the Existing Contract Import Capability until exhausted, unless the LSE can demonstrate otherwise.

To the extent a particular Intertie becomes over requested with Pre-RA Import Commitments, such that the MW represented in all Pre-RA Import Commitments utilizing the Intertie exceed the Intertie's Available Import Capability in excess of that reserved for Existing Contracts and Transmission Ownership Rights under Steps 2 and 3, the Pre-RA Import Commitments will be assigned Pre-RA Import Commitment Capability, based on the Import Capability Load Share Ratio of each Load Serving Entity submitting Pre-RA Import Commitments on the particular Intertie. To the extent this initial assignment of Pre-RA Import Commitment Capability has not fully assigned the Available Import Capability of the particular over requested Intertie, the remaining Available Import Capability on the over requested Intertie will be assigned until fully exhausted based on the Import Capability Load Share Ratio of each Load Serving Entity whose submitted Pre-RA Import Commitment has not been fully satisfied by the previous Import Capability Load Share Ratio assignment iteration. The Available Import Capability assigned pursuant to this Step 4a is the Pre-RA Import Commitment Capability.

Step 4b: Assignment of New Use Import Commitments: From the Available Import Capability remaining on each Intertie after reserving Existing Contract Import Capability under Step 3 above and reserving Pre-RA Import Commitment Capability under step 4a above, the CAISO will assign to Load Serving Entities serving Load within the CAISO Balancing Authority Area New Use Import Commitment Capability on a particular Intertie based on New Use Import Commitments in effect during the Resource Adequacy Compliance Year for which the Available Import Capability assignment is being performed. The CAISO will assign the New Use Import Commitment to the Intertie selected by the Load Serving Entity in the import commitment data template as required per Business Process Manual, and it must be the primary Intertie upon which the Energy or capacity is anticipated to be scheduled. If a New Use Import Commitment submitted by an LSE with Existing Contract Import Capability is assigned under this Section to the same Intertie on which the Load Serving Entity holds Existing Contract Import Capability, the CAISO will assume the New Use Import Commitment will be delivered over the Existing Contract Import Capability until exhausted, unless the LSE can demonstrate otherwise.

To the extent a particular Intertie becomes over requested with New Use Import Commitments, such that the MW represented in all New Use Import Commitments using the Intertie exceed the Intertie's Available Import Capability in excess of that reserved for Existing Contracts and Transmission Ownership Rights under Steps 2 and 3 as well as Pre-RA Import Commitments under Step 4a, the New Use Import Commitments will be assigned New Use Import Commitment Capability, based on the Import Capability Load Share Ratio of each Load Serving Entity submitting New Use Import Commitments on the particular Intertie. To the extent the initial assignment of New Use Import Commitment Capability does not fully assign the Available Import Capability on the over requested Intertie, the CAISO will assign the remaining Available Import Capability on the over requested Intertie until fully exhausted based on the Import Capability Load Share Ratio of each Load Serving Entity whose submitted New Use Import Commitment has not been fully satisfied by the previous Import Capability Load Share Ratio assignment iteration. The Available Import Capability assigned pursuant to this Step 4b is the New Use Import Commitment Capability. Any New Use Import Commitment Capability shall not exceed the limitations imposed in Section 40.4.6.2.2.4.

Step 5: Assignment of Remaining Import Capability Limited by Load Share Quantity: The Total Import Capability remaining after Step 4 will be assigned only to Load Serving Entities serving Load within the CAISO Balancing Authority Area that have not received Existing Contract Import Capability, Pre-RA Import Commitment Capability and New Use Import Commitment Capability under Steps 3 and 4, that exceed the Load Serving Entity's Load Share Quantity. Only the MW quantity of any Pre-RA Import Commitment Capability and New Use Import Commitment Capability assigned to Existing Contract Import Capability under Step 4 that exceeds the Existing Contract Import Capability on the particular Intertie will be counted for purposes of this Step 5.

The CAISO will assign Remaining Import Capability based on the following process. First, the CAISO will calculate the gross Remaining Import Capability by subtracting the sum of the MW quantity assigned to excluded LSEs from the Total Import Capability. Next, the CAISO will calculate the share of gross Remaining Import Capability based on load share ratio among the remaining eligible Load Serving Entities. Any CAISO internal Load Serving Entity with allocations received from both Steps 3 & 4 that exceed or are equal to its share of the gross Remaining Import Capability will be excluded from further allocation of Remaining Import Capability. The CAISO will re-perform this calculation until there are no excluded Load Serving Entities. Each remaining eligible Load Serving Entity will have its Remaining Import Capability calculated by subtracting its total of all allocations received under Steps 3, 4a & 4b from its share of the gross Remaining Import Capability. The Total Import Capability will be assigned until fully exhausted to those Load Serving Entities eligible to receive an assignment under this Step. The quantity of Total Import Capability assigned to the Load Serving Entity under this Step is the Load Serving Entity's Remaining Import Capability. This Step 5 does not assign Remaining Import Capability on a specific Intertie.

Step 6: CAISO Posting of Assigned and Unassigned Capability: Following the completion of Step 5, the CAISO will post to the CAISO Website, in accordance with the schedule set forth in the Business Practice Manual the following information:

(a) The Total Import Capability;

(b) The quantity in MW of Existing Contracts and Transmission Ownership Rights assigned to each Intertie, distinguishing between Existing Contracts and Transmission Ownership Rights held by Load Serving Entities within the CAISO Balancing Authority Area and those held by load serving entities outside the CAISO Balancing Authority Area;

(c) The aggregate quantity in MW, and identity of the holders, of Pre-RA Import Commitments assigned to each Intertie; and

(d) The aggregate quantity in MW of Available Import Capability after Step 4, the identity of the Interties with Available Import Capability, and the MW quantity of Available Import Capability on each such Intertie.

(e) For each individual Intertie, the name of the holder of Existing Contracts and Transmission Ownership Rights, Pre-RA Import Commitments and New Use Import Commitments as well as maximum locked up amount, lock start date, lock expiration date and potentially other available information that provides stakeholders with transparency into the allocation process.

Step 7: CAISO Notification of LSE Assignment Information: Following the completion of Step 5, in accordance with the schedule set forth in the Business Practice Manual, the CAISO will notify the Scheduling Coordinator for each Load Serving Entity of:

(a) The Load Serving Entity's Import Capability Load Share;

(b) The Load Serving Entity's Load Share Quantity; and

(c) The amount of, and Intertie on which, the Load Serving Entity's Existing Contract Import Capability, Pre-RA Import Commitment Capability and New Use Import Commitment Capability, as applicable, has been assigned; and

(d) The Load Serving Entity's Remaining Import Capability.

Step 8: Transfer of Import Capability: In accordance with the schedule set forth in the Business Practice Manual, a Scheduling Coordinator for a Load Serving Entity shall be allowed to transfer some or all of its Remaining Import Capability to any other Scheduling Coordinator for a Load Serving Entity. The CAISO will accept transfers between Scheduling Coordinators only to the extent such transfers are reported to the CAISO, in accordance with the schedule set forth in the Business Practice Manual and through the CAISO's Import Capability Transfer Registration Process, by the entity receiving the Remaining Import Capability who must set forth (1) the name of the counter-parties, (2) the MW quantity, (3) term of transfer, and (4) price on a per MW basis. The CAISO will post to the CAISO Website in accordance with the schedule set forth in the Business Practice Manual the information on transfers of Remaining Import Capability received under this Step 8.

Step 9: Initial Scheduling Coordinator Request to Assign Remaining Import Capability by Intertie: In accordance with the schedule set forth in the Business Practice Manual, the Scheduling Coordinator for each Load Serving Entity shall notify the CAISO of its request to assign its post-trading Remaining Import Capability on a MW basis per available Intertie. Total requests for assignment of Remaining Import Capability by a Scheduling Coordinator cannot exceed the sum of the post-traded Remaining Import Capability of its Load Serving Entities. The CAISO will honor the requests to the extent an Intertie has not been over requested. If an Intertie is over requested, the requests for Remaining Import Capability on that Intertie will be assigned based on each Load Serving Entity's Import Capability Load Share Ratio in the same manner as set forth in Step 4. A Scheduling Coordinator for a Load Serving Entity without an Import Capability Load Share will be assigned the Import Capability Load Share equal to the average Import Capability Load Share of those Load Serving Entities from which it received transfers of Remaining Import Capability.

Step 10: CAISO Notification of Initial Remaining Import Capability Assignments and Unassigned Capability: In accordance with the schedule set forth in the Business Practice Manual, the CAISO will:

(a) Notify the Scheduling Coordinators of accepted request(s) for assigning Remaining Import Capability under Step 9;

(b) Publish on the CAISO Website aggregate unassigned Available Import Capability, if any, the identity of the Interties with unassigned Available Import Capability, and the MW quantity of Available Import Capability, on each such Intertie; and

(c) Issue a Market Notice to advise the Scheduling Coordinators that Step 10 is complete and to specify the time at which the CAISO will begin accepting requests for the Remaining Import Capability for Step 11.

Step 11: Secondary Scheduling Coordinator Request to Assign Remaining Import Capability by Intertie: To the extent Remaining Import Capability remains unassigned as disclosed by Step 10, in accordance with the schedule set forth in the Business Practice Manual, Scheduling Coordinators for Load Serving Entities shall notify the CAISO of their requests to assign any Remaining Import Capability on a MW per available Intertie basis. Step 10 must be completed before a Scheduling Coordinator may submit a request under this step for any Remaining Import Capability. Any requests received prior to the time stated in the Market Notice issued at the completion of Step 10 will not be honored by the CAISO. The CAISO will honor the timely requests received to the extent an Intertie has not been over requested. If an Intertie is over requested, the requests on that Intertie will be assigned based on each Load Serving Entity's Import Capability Load Share Ratio, as used in Steps 4 and 9.

Step 12: Notification of Secondary Remaining Import Capability Assignments and Unassigned Capability: In accordance with the schedule set forth in the Business Practice Manual, the CAISO will:

(a) Notify the Scheduling Coordinator for each Load Serving Entity of the Load Serving Entity's accepted request(s) for assigning Remaining Import Capability under Step 11;

(b) Publish on the CAISO Website unassigned aggregate Available Import Capability, if any, the identity of the Interties with Available Remaining Import Capability, and the MW quantity of Availability Import Capability on each such Intertie; and

(c) Issue a Market Notice to advise the Scheduling Coordinator for each Load Serving Entity that Step 12 is complete and to specify the time at which the CAISO will begin accepting requests for the Balance of Year Unassigned Available Import Capability for Step 13.

Step 13: Requests for Balance of Year Unassigned Available Import Capability: To the extent total Available Import Capability remains unassigned as disclosed by Step 12, Scheduling Coordinators for Load Serving Entities, Participating Generators, or System Resources may notify the CAISO of a request for unassigned Available Import Capability on a specific Intertie on a per MW basis. Step 12 must be completed before a Scheduling Coordinator may submit a request under this step for any remaining unassigned Import Capability. Any requests received prior to the time stated in the Market Notice issued at the completion of Step 12 will not be honored by the CAISO. Each request must include the identity of Load Serving Entity, Participating Generator, or System Resource on whose behalf the request is made. The CAISO will accept only two (2) requests per calendar week from any Scheduling Coordinator on behalf of a single Load Serving Entity, Participating Generator, or System Resource. The CAISO will honor timely requests in priority of the time requests from Scheduling Coordinators were received until the Intertie is fully assigned and without regard to any Load Serving Entity's Load Share Quantity. Any honored request shall be for the remainder of the Resource Adequacy Compliance Year.

The CAISO shall provide an electronic means, either through the Import Capability Transfer Registration Process or otherwise, of notifying the Scheduling Coordinator of the time the request was deemed received by the CAISO and, within seven (7) days of receipt of the request, whether the request was honored. If a request made on behalf of a Load Serving Entity is honored, it shall be the responsibility of the Scheduling Coordinator and its Load Serving Entity to notify the CPUC or applicable Local Regulatory Authority of the acceptance of the request for unassigned Available Import Capability. If the request is not honored because the Intertie requested was fully assigned, the request will be deemed rejected and the Scheduling Coordinator, if it still seeks to obtain unassigned Available Import Capability, will be required to submit a new request for unassigned Available Import Capability on a different Intertie. The CAISO will update on its website the list of unassigned Available Import Capability by Intertie in accordance with the schedule set forth in the Business Practice Manual.

This multi-step process for assignment of Total Import Capability does not guarantee or result in any actual transmission service being assigned and is only used for determining the import capability that can be credited towards satisfying the Reserve Margin of a Load Serving Entity under this Section 40. Upon the request of the CAISO, Scheduling Coordinators must provide the CAISO with information on Pre-RA Import Commitments and New Use Import Commitments as well as any transfers or sales of assigned Total Import Capability.

40.4.6.2.2 Bilateral Import Capability Transfers and Registration Process

40.4.6.2.2.1 Eligibility Registration for Bilateral Import Capability Transfers

To be eligible to engage in any bilateral assignment, sale, or transfer of Remaining Import Capability under Step 8 of Section 40.4.6.2.1 or Section 40.4.6.2.2.2 or transfer of Existing Contract Import Capability, Pre-RA Import Commitment Capability and New Use Import Commitment Capability under Section 40.4.6.2.2.2, a Load Serving Entity or other Market Participant must provide the CAISO through the Import Capability Transfer Registration Process the following information:

(a) Name of the Load Serving Entity or Market Participant

(b) E-mail contact information

The CAISO will post to the CAISO Website the information received under this Section on a monthly basis in accordance with the schedule set forth in the Business Practice Manual. Any assignment, sale, or transfer of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability may only be made by or to a Load Serving Entity or Market Participant whose information received under this Section has been posted to the CAISO Website prior to the date of the assignment, sale, or transfer of the Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability. It shall be the exclusive responsibility of the Scheduling Coordinator for the Load Serving Entity or Market Participant to ensure that the information posted to the CAISO Website under this Section is accurate and up to date.

40.4.6.2.2.2 Reporting Process for Bilateral Import Capability Transfers

This Section shall apply to all transfers of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability other than that provided for in Step 8 of Section 40.4.6.2.1. Any Load Serving Entity or other Market Participant that has obtained Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import

Commitment Capability or Remaining Import Capability may assign, sell, or otherwise transfer such Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability in MW increments rounded to two decimal places. The import capability subject to each transfer shall remain on the Intertie assigned pursuant to Section 40.4.6.2.1. The Scheduling Coordinator for the Load Serving Entity or Market Participant receiving the transferred Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability must report the transfer to the CAISO through the CAISO's Import Capability Transfer Registration Process by providing the following information:

(a) Identity of the counter-party(ies);

(b) The MW quantity;

(c) The Intertie on which the Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability was assigned;

(d) Term of the transfer;

(e) Price on a per MW basis; and

(f) Whether the import capability assignment being transferred is Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability.

The CAISO will promptly post to the CAISO Website the information on transfers received under this Section except for the information received pursuant to subpart (f) of this Section. On a quarterly basis, the CAISO shall also report to FERC the transfer information received under this Section and Step 8 of Section 40.4.6.2.1. Transfer information received in accordance with this Section after the 20th calendar day of any month shall not be permitted to be included in the Load Serving Entity's Resource Adequacy Plan submitted in the same month as the transfer submission.

40.4.6.2.2.3 Other Import Capability Information Postings

The CAISO will post to the CAISO Website on a monthly basis in accordance with the schedule set forth in the Business Practice Manual, for each Intertie, the holder and that holder's quantity in MW of import capability assigned on the particular Intertie as of the reporting date.

The CAISO will also post to the CAISO Website following submission of the annual Resource Adequacy Plans under Sections 40.2.1.1, 40.2.2.4, 40.2.3.4, and 40.2.4, for each Intertie, by a "yes" or "no" designation, whether each holder of import capability assigned on the particular Intertie has fully included the assigned import capability in the holder's annual Resource Adequacy Plans.

40.4.6.2.2.4 Reserving import capacity as New Use Import Commitment

An import allocation received as Remaining Import Capability (Steps 5-13) may be reserved at the branch group level by the LSE holder for the applicable RA year. To reserve an import allocation, the LSE must hold the import allocation for all 12 months of the applicable RA year. LSEs cannot reserve import allocations for partial years.

An LSE may reserve an import allocation for the term of the New Use Import Commitment by showing an applicable New Use Import Commitment, signed by May 15th of the year prior to the requested import allocation, if the New Use Import Commitment (1) identifies a specific resource or an aggregation of specific resources, consisting of Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources, that will provide capacity or energy and (2) meets all the requirements herein as well as those described in the appropriate Business Process Manual.

A New Use Import Commitment reservation can extend for an undetermined length of time, but the reserved quantity cannot exceed future year ahead Load Share Quantity. For implementation purposes, before import allocations are given out for the next RA year, an LSE must provide the CAISO with contract priority preference to determine the order of MIC allocation reduction in the event the reserved quantity exceeds future year ahead Load Share Quantity. If an LSE chooses to partially reduce the import allocation associated with a specific contract, the LSE must maintain the entire contract unchanged for the duration of the next RA year. Any material modification to the electric or operational characteristics of the contract, as determined by the CAISO, or the sale (part or entire) of the RA contract that currently qualifies as a New Use Import Commitment by its LSE holder will result in the loss of status as New Use Import Commitment.

An LSE can reserve up to 75% of its year ahead total import allocation (representing the sum of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability and Remaining Import Capability as communicated by the CAISO per step 7) at the branch group level with New Use Import Commitments that meet this tariff section. The total reserved amount for each LSE represents the sum of all their Existing Contract Import Capability, Pre-RA Import Commitment Capability and New Use Import Commitment Capability.

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Appendix A

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- New Use Import Commitment

Any power purchase agreement, ownership interest, or other commercial arrangement, that meets all the Tariff and applicable Business Process Manual requirements to lock import capability received as Remaining Import Capability at the branch group level and does not already qualify as Pre-RA Import Commitment, entered into by a Load Serving Entity serving Load in the CAISO Balancing Authority Area for the procurement of capacity from a resource specific or aggregation, consisting of Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources, located outside the CAISO Balancing Authority Area. The New Use Import Commitment shall be deemed to terminate upon the expiration of the initial term of the New Use Import Commitment, notwithstanding any "evergreen" or other renewal provision exercisable at the option of either party to the agreement.

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- New Use Import Commitment Capability

The quantity in MW assigned to a particular Intertie into the CAISO Balancing Authority Area based on a New Use Import Commitment.

Attachment B – Marked Tariff

Maximum Import Capacity Stabilization and Multi-Year Allocation

California Independent System Operator Corporation

March 18, 2021

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40.4.6 Reductions for Deliverability

40.4.6.1 Deliverability Within the CAISO Balancing Authority Area

In order to determine Net Qualifying Capacity from Resource Adequacy Resources subject to this Section 40.4, the CAISO will determine that a Resource Adequacy Resource is available to serve the aggregate of Load by means of a deliverability study. Documentation explaining the CAISO's deliverability analysis will be posted on the CAISO Website. The deliverability study will be performed annually and shall focus on peak Demand conditions. The results of the deliverability study shall be incorporated into the Net Qualifying Capacity annual report under Section 40.4.2 and will be effective for the next Resource Adequacy Compliance Year. To the extent the deliverability study shows that the Qualifying Capacity is not deliverable to the aggregate of Demand under the conditions studied, the Qualifying Capacity of the Resource Adequacy Resource will be reduced on a MW basis for the capacity that is undeliverable. Resources will be electrically grouped in a manner consistent with the CAISO Deliverability Assessment methodology posted on the CAISO Website. For Resource Adequacy Resources in the same electrical group which have identified deliverability constraints, the Qualifying Capacity of the Resource Adequacy Resources that obtained Full Capacity Deliverability Status or partial deliverability through Section 8.2 of Appendix Y to this CAISO Tariff will be reduced prior to reducing the Qualifying Capacity of those resources which were originally provided Full Capacity Deliverability Status pursuant to inclusion in an Interconnection Study Cycle under Appendix Y to this CAISO Tariff.

40.4.6.2 Deliverability of Imports

40.4.6.2.1 Available Import Capability Assignment Process

For Resource Adequacy Plans~~, covering any period after December 31, 2007, ~~total Available Import Capability will be assigned on an annual basis for a one-year term to Scheduling Coordinators representing Load Serving Entities serving Load in the CAISO Balancing Authority Area and, in limited circumstances, to Scheduling Coordinators representing Participating Generators or System Resources, as described by the following sequence of steps. ~~However, should the CPUC modify by decision its compliance period from January to December of the calendar year to May through April of the calendar~~

~~year, the CAISO shall extend the effectiveness of the assignment for Resource Adequacy Compliance Year 2008 through April 2009.~~

Step 1: Determination of Maximum Import Capability on Interties into the CAISO Balancing Authority Area: The CAISO shall establish the Maximum Import Capability for each Intertie into the CAISO Balancing Authority Area, and will post those values on the CAISO Website in accordance with the schedule and process set forth in the Business Practice Manual.

Step 2: Determination of Available Import Capability by Accounting for Existing Contracts and Transmission Ownership Rights Held by Out-of-~~-~~Balancing Authority Area LSEs: For each Intertie, the Available Import Capability will be determined by subtracting from the Maximum Import Capability established in Step 1 for each Intertie the import capability on each Intertie associated with (i) Existing Contracts and (ii) Transmission Ownership Rights held by load serving entities that do not serve Load within the CAISO Balancing Authority Area. The remaining sum of all Intertie Available Import Capability is the Total Import Capability. Total Import Capability shall be used to determine the Load Share Quantity for each Load Serving Entity that serves Load within the CAISO Balancing Authority Area.

Step 3: Determination of Existing Contract Import Capability by Accounting for Existing Contracts and Transmission Ownership Rights Held by CAISO Balancing Authority Area LSEs: From the Available Import Capability remaining on each Intertie after Step 2 above, Existing Contracts and Transmission Ownership Rights held by Load Serving Entities that serve Load within the CAISO Balancing Authority Area shall be reserved for the holders of such commitments and will not be subject to reduction under any subsequent steps in this Section. The import capability reserved pursuant to this Step 3 is the Existing Contract Import Capability.

Step 4a: Assignment of Pre-RA Import Commitments: From the Available Import Capability remaining on each Intertie after reserving Existing Contract Import Capability under Step 3 above, the CAISO will assign to Load Serving Entities serving Load within the CAISO Balancing Authority Area Pre-RA Import Commitment Capability on a particular Intertie based on Pre-RA Import Commitments in effect (where a supplier has an obligation to deliver the Energy or make the capacity available) at any time during the Resource Adequacy Compliance Year for which the Available Import Capability assignment is being performed. The Pre-RA Import Commitment will be assigned to the Intertie selected by the Load Serving

Entity during the submission of the import commitment data template as required per Business Process Manual~~Resource Adequacy Compliance Year 2007 import capability assignment process, which was required to be based on the Intertie upon which the Energy or capacity from the Pre-RA Import Commitment had been primarily scheduled or, for a Pre-RA Import Commitment without a scheduling history at the time of the Resource Adequacy Compliance Year 2007 import capability assignment process~~, and it must be the primary Intertie upon which the Energy or capacity is~~was~~ anticipated to be scheduled. ~~To the extent a Pre-RA Import Commitment was not presented during the Resource Adequacy Compliance Year 2007 import capability assignment process, the Load Serving Entity shall select the Intertie upon which the Pre-RA Import Commitment is primarily anticipated to be scheduled during the term of the Pre-RA Import Commitment and that selection shall be utilized in future annual Available Import Capability assignment processes.~~ If a Pre-RA Import Commitment submitted on behalf of a LSE with Existing Contract Import Capability is assigned under this Section to the same Intertie on which the LSE holds Existing Contract Import Capability, the Pre-RA Import Commitment will be assumed to deliver over the Existing Contract Import Capability until exhausted, unless the LSE can demonstrate otherwise.

To the extent a particular Intertie becomes over requested with Pre-RA Import Commitments~~ due to either Pre-RA Import Commitments not included in the Resource Adequacy Compliance Year 2007 import capability assignment process or changes in system conditions that decrease the Maximum Import Capability of the Intertie~~, such that the MW represented in all Pre-RA Import Commitments utilizing the Intertie exceed the Intertie's Available Import Capability in excess of that reserved for Existing Contracts and Transmission Ownership Rights under Steps 2 and 3, the Pre-RA Import Commitments will be assigned Pre-RA Import Commitment Capability, based on the Import Capability Load Share Ratio of each Load Serving Entity submitting Pre-RA Import Commitments on the particular Intertie. To the extent this initial assignment of Pre-RA Import Commitment Capability has not fully assigned the Available Import Capability of the particular over requested Intertie, the remaining Available Import Capability on the over requested Intertie will be assigned until fully exhausted based on the Import Capability Load Share Ratio of each Load Serving Entity whose submitted Pre-RA Import Commitment has not been fully satisfied by the previous Import Capability Load Share Ratio assignment iteration. The Available Import

Capability assigned pursuant to this Step 4a is the Pre-RA Import Commitment Capability.

Step 4b: Assignment of New Use Import Commitments: From the Available Import Capability remaining on each Intertie after reserving Existing Contract Import Capability under Step 3 above and reserving Pre-RA Import Commitment Capability under step 4a above, the CAISO will assign to Load Serving Entities serving Load within the CAISO Balancing Authority Area New Use Import Commitment Capability on a particular Intertie based on New Use Import Commitments in effect during the Resource Adequacy Compliance Year for which the Available Import Capability assignment is being performed. The CAISO will assign the New Use Import Commitment to the Intertie selected by the Load Serving Entity in the import commitment data template as required per Business Process Manual, and it must be the primary Intertie upon which the Energy or capacity is anticipated to be scheduled. If a New Use Import Commitment submitted by an LSE with Existing Contract Import Capability is assigned under this Section to the same Intertie on which the Load Serving Entity holds Existing Contract Import Capability, the CAISO will assume the New Use Import Commitment will be delivered over the Existing Contract Import Capability until exhausted, unless the LSE can demonstrate otherwise.

To the extent a particular Intertie becomes over requested with New Use Import Commitments, such that the MW represented in all New Use Import Commitments using the Intertie exceed the Intertie's Available Import Capability in excess of that reserved for Existing Contracts and Transmission Ownership Rights under Steps 2 and 3 as well as Pre-RA Import Commitments under Step 4a, the New Use Import Commitments will be assigned New Use Import Commitment Capability, based on the Import Capability Load Share Ratio of each Load Serving Entity submitting New Use Import Commitments on the particular Intertie. To the extent the initial assignment of New Use Import Commitment Capability does not fully assign the Available Import Capability on the over requested Intertie, the CAISO will assign the remaining Available Import Capability on the over requested Intertie until fully exhausted based on the Import Capability Load Share Ratio of each Load Serving Entity whose submitted New Use Import Commitment has not been fully satisfied by the previous Import Capability Load Share Ratio assignment iteration. The Available Import Capability assigned pursuant to this Step 4b is the New Use Import Commitment Capability. Any New Use Import Commitment Capability shall not exceed the limitations imposed in Section 40.4.6.2.2.4.

Step 5: Assignment of Remaining Import Capability Limited by Load Share Quantity: The Total Import Capability remaining after Step 4 will be assigned only to Load Serving Entities serving Load within the CAISO Balancing Authority Area that have not received Existing Contract Import Capability, ~~and~~ Pre-RA Import Commitment Capability and New Use Import Commitment Capability under Steps 3 and 4, that exceed the Load Serving Entity's Load Share Quantity. Only the MW quantity of any Pre-RA Import Commitment Capability and New Use Import Commitment Capability assigned to Existing Contract Import Capability under Step 4 that exceeds the Existing Contract Import Capability on the particular Intertie will be counted for purposes of this Step 5.

The CAISO will assign Remaining Import Capability based on the following process. First, the CAISO will calculate the gross Remaining Import Capability by subtracting the sum of the MW quantity assigned to excluded LSEs from the Total Import Capability. Next, the CAISO will calculate the share of gross Remaining Import Capability based on load share ratio among the remaining eligible Load Serving Entities. Any CAISO internal Load Serving Entity with allocations received from both Steps 3 & 4 that exceed or are equal to its share of the gross Remaining Import Capability will be excluded from further allocation of Remaining Import Capability. The CAISO will re-perform this calculation until there are no excluded Load Serving Entities. Each remaining eligible Load Serving Entity will have its Remaining Import Capability calculated by subtracting its total of all allocations received under Steps 3, 4a & 4b from its share of the gross Remaining Import Capability. ~~This~~ The Total Import Capability will be assigned until fully exhausted to those Load Serving Entities eligible to receive an assignment under this Step ~~based on each Load Serving Entity's Import Capability Load Share Ratio up to, but not in excess of, its Load Share Quantity~~. The quantity of Total Import Capability assigned to the Load Serving Entity under this Step is the Load Serving Entity's Remaining Import Capability. This Step 5 does not assign Remaining Import Capability on a specific Intertie.

Step 6: CAISO Posting of Assigned and Unassigned Capability: Following the completion of Step 5, the CAISO will post to the CAISO Website, in accordance with the schedule set forth in the Business Practice Manual the following information:

(a) The Total Import Capability;

(b) The quantity in MW of Existing Contracts and Transmission Ownership Rights assigned to each Intertie, distinguishing between Existing Contracts and Transmission Ownership Rights held by Load Serving Entities within the CAISO Balancing Authority Area and those held by load serving entities outside the CAISO Balancing Authority Area;

(c) The aggregate quantity in MW, and identity of the holders, of Pre-RA Import Commitments assigned to each Intertie; and

(d) The aggregate quantity in MW of Available Import Capability after Step 4, the identity of the Interties with Available Import Capability, and the MW quantity of Available Import Capability on each such Intertie.

(e) For each individual Intertie, the name of the holder of Existing Contracts and Transmission Ownership Rights, Pre-RA Import Commitments and New Use Import Commitments as well as maximum locked up amount, lock start date, lock expiration date and potentially other available information that provides stakeholders with transparency into the allocation process.

Step 7: CAISO Notification of LSE Assignment Information: Following the completion of Step 5, in accordance with the schedule set forth in the Business Practice Manual, the CAISO will notify the Scheduling Coordinator for each Load Serving Entity of:

(a) The Load Serving Entity's Import Capability Load Share;

(b) The Load Serving Entity's Load Share Quantity; and

(c) The amount of, and Intertie on which, the Load Serving Entity's Existing Contract Import Capability, ~~and~~ Pre-RA Import Commitment Capability and New Use Import Commitment Capability, as applicable, has been assigned; and

(d) The Load Serving Entity's Remaining Import Capability.

Step 8: Transfer of Import Capability: In accordance with the schedule set forth in the Business Practice Manual, a Scheduling Coordinator for a Load Serving Entity shall be allowed to transfer some or all of its Remaining Import Capability to any other Scheduling Coordinator for a Load Serving Entity. The CAISO will accept transfers between Scheduling Coordinators only to the extent such transfers are reported to the CAISO, in accordance with the schedule set forth in the Business Practice Manual and through the CAISO's Import Capability Transfer Registration Process, by the entity receiving the Remaining Import

Capability who must set forth (1) the name of the counter-parties, (2) the MW quantity, (3) term of transfer, and (4) price on a per MW basis. The CAISO will post to the CAISO Website ~~by August 8, 2007 for Resource Adequacy Compliance Year 2008 and for subsequent Resource Adequacy Compliance Years~~ in accordance with the schedule set forth in the Business Practice Manual the information on transfers of Remaining Import Capability received under this Step 8.

Step 9: Initial Scheduling Coordinator Request to Assign Remaining Import Capability by Intertie: In accordance with the schedule set forth in the Business Practice Manual, the Scheduling Coordinator for each Load Serving Entity shall notify the CAISO of its request to assign its post-trading Remaining Import Capability on a MW basis per available Intertie. Total requests for assignment of Remaining Import Capability by a Scheduling Coordinator cannot exceed the sum of the post-traded Remaining Import Capability of its Load Serving Entities. The CAISO will honor the requests to the extent an Intertie has not been over requested. If an Intertie is over requested, the requests for Remaining Import Capability on that Intertie will be assigned based on each Load Serving Entity's Import Capability Load Share Ratio in the same manner as set forth in Step 4. A Scheduling Coordinator for a Load Serving Entity without an Import Capability Load Share will be assigned the Import Capability Load Share equal to the average Import Capability Load Share of those Load Serving Entities from which it received transfers of Remaining Import Capability.

Step 10: CAISO Notification of Initial Remaining Import Capability Assignments and Unassigned Capability: In accordance with the schedule set forth in the Business Practice Manual, the CAISO will:

(a) Notify the Scheduling Coordinators of accepted request(s) for assigning Remaining Import Capability under Step 9;

(b) Publish on the CAISO Website aggregate unassigned Available Import Capability, if any, the identity of the Interties with unassigned Available Import Capability, and the MW quantity of Available Import Capability, on each such Intertie; and

(c) Issue a Market Notice to advise the Scheduling Coordinators that Step 10 is complete and to specify the time at which the CAISO will begin accepting requests for the Remaining Import Capability for Step 11.

Step 11: Secondary Scheduling Coordinator Request to Assign Remaining Import Capability by Intertie:

To the extent Remaining Import Capability remains unassigned as disclosed by Step 10, in accordance with the schedule set forth in the Business Practice Manual, Scheduling Coordinators for Load Serving Entities shall notify the CAISO of their requests to assign any Remaining Import Capability on a MW per available Intertie basis. Step 10 must be completed before a Scheduling Coordinator may submit a request under this step for any Remaining Import Capability. Any requests received prior to the time stated in the Market Notice issued at the completion of Step 10 will not be honored by the CAISO. The CAISO will honor the timely requests received to the extent an Intertie has not been over requested. If an Intertie is over requested, the requests on that Intertie will be assigned based on each Load Serving Entity's Import Capability Load Share Ratio, as used in Steps 4 and 9.

Step 12: Notification of Secondary Remaining Import Capability Assignments and Unassigned Capability: In accordance with the schedule set forth in the Business Practice Manual, the CAISO will:

(a) Notify the Scheduling Coordinator for each Load Serving Entity of the Load Serving Entity's accepted request(s) for assigning Remaining Import Capability under Step 11;

(b) Publish on the CAISO Website unassigned aggregate Available Import Capability, if any, the identity of the Interties with Available Remaining Import Capability, and the MW quantity of Availability Import Capability on each such Intertie; and

(c) Issue a Market Notice to advise the Scheduling Coordinator for each Load Serving Entity that Step 12 is complete and to specify the time at which the CAISO will begin accepting requests for the Balance of Year Unassigned Available Import Capability for Step 13.

Step 13: Requests for Balance of Year Unassigned Available Import Capability: To the extent total Available Import Capability remains unassigned as disclosed by Step 12, Scheduling Coordinators for Load Serving Entities, Participating Generators, or System Resources may notify the CAISO of a request for unassigned Available Import Capability on a specific Intertie on a per MW basis. Step 12 must be completed before a Scheduling Coordinator may submit a request under this step for any remaining unassigned Import Capability. Any requests received prior to the time stated in the Market Notice issued at the completion of Step 12 will not be honored by the CAISO. Each request must include the identity of Load Serving Entity, Participating Generator, or System Resource on whose behalf the request is made. The CAISO will accept only two (2) requests per calendar week from any Scheduling Coordinator on behalf of a single Load Serving Entity, Participating Generator, or System Resource. The CAISO will honor timely requests in priority of the time requests from Scheduling Coordinators were received until the Intertie is fully assigned and without regard to any Load Serving Entity's Load Share Quantity. Any honored request shall be for the remainder of the Resource Adequacy Compliance Year.

The CAISO shall provide an electronic means, either through the Import Capability Transfer Registration Process or otherwise, of notifying the Scheduling Coordinator of the time the request was deemed received by the CAISO and, within seven (7) days of receipt of the request, whether the request was honored. If a request made on behalf of a Load Serving Entity is honored, it shall be the responsibility of the Scheduling Coordinator and its Load Serving Entity to notify the CPUC or applicable Local Regulatory Authority of the acceptance of the request for unassigned Available Import Capability. If the request is not honored because the Intertie requested was fully assigned, the request will be deemed rejected and the Scheduling Coordinator, if it still seeks to obtain unassigned Available Import Capability, will be required to submit a new request for unassigned Available Import Capability on a different Intertie. The CAISO will update on its website the list of unassigned Available Import Capability by Intertie in accordance with the schedule set forth in the Business Practice Manual.

This multi-step process for assignment of Total Import Capability does not guarantee or result in any actual transmission service being assigned and is only used for determining the import capability that can be credited towards satisfying the Reserve Margin of a Load Serving Entity under this Section 40. Upon the request of the CAISO, Scheduling Coordinators must provide the CAISO with information on Pre-RA Import Commitments and New Use Import Commitments as well as any transfers or sales of assigned Total Import Capability.

40.4.6.2.2 Bilateral Import Capability Transfers and Registration Process

40.4.6.2.2.1 Eligibility Registration for Bilateral Import Capability Transfers

To be eligible to engage in any bilateral assignment, sale, or ~~other~~ transfer of Remaining Import Capability under Step 8 of Section 40.4.6.2.1 or Section 40.4.6.2.2.2 or transfer of Existing Contract Import Capability, ~~and~~ Pre-RA Import Commitment Capability and New Use Import Commitment Capability under Section 40.4.6.2.2.2, a Load Serving Entity or other Market Participant must provide the CAISO through the Import Capability Transfer Registration Process the following information:

(a) Name of the Load Serving Entity or Market Participant

(b) E-mail contact information

The CAISO will post to the CAISO Website the information received under this Section on a monthly basis in accordance with the schedule set forth in the Business Practice Manual. Any assignment, sale, or ~~other~~ transfer of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability may only be made by or to a Load Serving Entity or Market Participant whose information received under this Section has been posted to the CAISO Website prior to the date of the assignment, sale, or ~~other~~ transfer of the Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability. It shall be the exclusive responsibility of the Scheduling Coordinator for the Load Serving Entity or Market Participant to ensure that the information posted to the CAISO Website under this Section is accurate and up to date.

40.4.6.2.2.2 Reporting Process for Bilateral Import Capability Transfers

This Section shall apply to all transfers of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability other than that provided for in Step 8 of Section 40.4.6.2.1. Any Load Serving Entity or other Market Participant that has obtained Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability may assign, sell, or otherwise transfer such Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability in MW increments rounded to two decimal places. The import capability subject to each transfer shall remain on the Intertie assigned pursuant to Section 40.4.6.2.1. The Scheduling Coordinator for the Load Serving Entity or Market Participant receiving the transferred Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability must report the transfer to the CAISO through the CAISO's Import Capability Transfer Registration Process by providing the following information:

(a) Identity of the counter-party(ies);

(b) The MW quantity;

(c) The Intertie on which the Existing Contract Import Capability, Pre-RA Import Commitment

Capability, New Use Import Commitment Capability or Remaining Import Capability was assigned;

(d) Term of the transfer;

(e) Price on a per MW basis; and

(f) Whether the import capability assignment being transferred is Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability.

The CAISO will promptly post to the CAISO Website the information on transfers received under this Section except for the information received pursuant to subpart (f) of this Section. On a quarterly basis, the CAISO shall also report to FERC the transfer information received under this Section and Step 8 of Section 40.4.6.2.1. Transfer information received in accordance with this Section after the 20th calendar day of any month shall not be permitted to be included in the Load Serving Entity's Resource Adequacy Plan submitted in the same month as the transfer submission.

40.4.6.2.2.3 Other Import Capability Information Postings

The CAISO will post to the CAISO Website on a monthly basis in accordance with the schedule set forth in the Business Practice Manual, for each Intertie, the holder and that holder's quantity in MW of import capability assigned on the particular Intertie as of the reporting date.

The CAISO will also post to the CAISO Website following submission of the annual Resource Adequacy Plans under Sections 40.2.1.1, 40.2.2.4, 40.2.3.4, and 40.2.4, for each Intertie, by a "yes" or "no" designation, whether each holder of import capability assigned on the particular Intertie has fully included the assigned import capability in the holder's annual Resource Adequacy Plans.

40.4.6.2.2.4 Reserving import capacity as New Use Import Commitment

An import allocation received as Remaining Import Capability (Steps 5-13) may be reserved at the branch group level by the LSE holder for the applicable RA year. To reserve an import allocation, the LSE must hold the import allocation for all 12 months of the applicable RA year. LSEs cannot reserve import allocations for partial years.

An LSE may reserve an import allocation for the term of the New Use Import Commitment by showing an applicable New Use Import Commitment, signed by May 15th of the year prior to the requested import allocation, if the New Use Import Commitment (1) identifies a specific resource or an aggregation of specific resources, consisting of Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources, that will provide capacity or energy and (2) meets all the requirements herein as well as those described in the appropriate Business Process Manual.

A New Use Import Commitment reservation can extend for an undetermined length of time, but the reserved quantity cannot exceed future year ahead Load Share Quantity. For implementation purposes, before import allocations are given out for the next RA year, an LSE must provide the CAISO with contract priority preference to determine the order of MIC allocation reduction in the event the reserved quantity exceeds future year ahead Load Share Quantity. If an LSE chooses to partially reduce the import allocation associated with a specific contract, the LSE must maintain the entire contract unchanged for the duration of the next RA year. Any material modification to the electric or operational characteristics of the contract, as determined by the CAISO, or the sale (part or entire) of the RA contract that currently qualifies as a New Use Import Commitment by its LSE holder will result in the loss of status as New Use Import Commitment.

An LSE can reserve up to 75% of its year ahead total import allocation (representing the sum of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability and Remaining Import Capability as communicated by the CAISO per step 7) at the branch group level with New Use Import Commitments that meet this tariff section. The total reserved amount for each LSE represents the sum of all their Existing Contract Import Capability, Pre-RA Import Commitment Capability and New Use Import Commitment Capability.

* * * * *

Appendix A

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- New Use Import Commitment

Any power purchase agreement, ownership interest, or other commercial arrangement, that meets all the Tariff and applicable Business Process Manual requirements to lock import capability received as Remaining Import Capability at the branch group level and does not already qualify as Pre-RA Import Commitment, entered into by a Load Serving Entity serving Load in the CAISO Balancing Authority Area for the procurement of capacity from a resource specific or aggregation, consisting of Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources, located outside the CAISO Balancing Authority Area. The New Use Import Commitment shall be deemed to terminate upon the expiration of the initial term of the New Use Import Commitment, notwithstanding any "evergreen" or other renewal provision exercisable at the option of either party to the agreement.

* * * * *

- New Use Import Commitment Capability

The quantity in MW assigned to a particular Intertie into the CAISO Balancing Authority Area based on a New Use Import Commitment.

Attachment C – Board of Governors Memo

Maximum Import Capacity Stabilization and Multi-Year Allocation

California Independent System Operator Corporation

March 18, 2021

Memorandum

To: ISO Board of Governors

From: Neil Millar, Vice President of Transmission Planning and Infrastructure Development

Date: September 23, 2020

Re: **Decision on maximum import capability multi-year allocation proposal**

This memorandum requires Board action.

EXECUTIVE SUMMARY

Management proposes changes to the allocation of the maximum import capability (MIC) in order to facilitate multi-year contracting for resource specific import resource adequacy (RA) by California ISO load serving entities.

The proposed changes to the maximum import capability allocation process modify the import capability allocation methodology and provide a higher level of certainty for load serving entities to retain allocations at specific import paths ("branch groups") for multiple years. The proposed changes also provide additional transparency to stakeholders about how the import capability is allocated.

These changes will allow a load serving entity to lock down up to 75% of its year ahead total maximum import capability allocation at the branch group level by demonstrating it has entered into multi-year applicable contracts. This would apply for the entire length of the contract, however if the individual load serving entity's future total year ahead allocation falls below the previous year(s) total locked up amount, then the load serving entity will be limited to that future year ahead allocation.

This is one of two changes developed to improve the efficacy of the import capability allocation process managed by the ISO; the other change focused on providing greater consistency in setting year over year import capability limits and has already been implemented through changes to the appropriate business practice manual.

Management proposes the following motions:

> ***Moved, that the ISO Board of Governors approves the tariff revisions necessary to implement the proposal for the maximum import capability multi-year allocation proposal as described in the memorandum dated September 23, 2020; and***
>
> ***Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed revisions, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.***

DISCUSSION AND ANALYSIS

The ISO reviewed its current processes to calculate the maximum import capability (MIC), and how it is assigned, to improve the opportunities for import capacity to be used for resource adequacy purposes. During the review process two main issues were identified: the need to stabilize the maximum import capability calculation – e.g. provide greater consistency in the total amount available year to year - and the need to provide multi-year allocations in order to facilitate new multi-year import RA contracts. In order to more practically enter into longer term import contracts, load serving entities need assurances not only that they will have sufficient import capability – which is a function of their load share – but also that they will retain sufficient capacity on the specific import path (or "branch group") that the imports would be relying on.

The calculation of maximum import capability was revised to draw on samples from five years of historical data instead of only the last two, providing overall higher and more stable year-to-year results, and has already been implemented through changes to the appropriate business practice manual.

Changing the current methodology for setting and allocating the MIC in order to support new long-term RA import contracts requires tariff changes. The ISO and stakeholders agree that the following elements are necessary and represent improvements to the current process: added transparency, changes to the import capability allocation methodology, and providing higher level of certainty for retention of MIC allocations at a certain branch group year over year.

Transparency:

The ISO will make public the information related to the load serving entity (LSE) holder, locked up amounts of maximum import capability, lock starting date, and lock expiration date, for each individual branch group.

Change to the import capability allocation methodology:

The change will introduce an intermediate calculation in the existing methodology in order to assure equitable treatment of LSEs taking into account pre-existing rights to transmission capacity that are not subject to the allocation process.

Single year maximum import capability allocation with multi-year lock at the branch group level:

The year ahead MIC allocation process that is in place today, to allocate at a branch group level, will not be modified. The changes would now allow, however, up to 75% of LSEs' year ahead total MIC allocation (as communicated by the ISO per step 7 of the import allocation process) to be locked up at the branch group level by demonstrating that multi-year applicable contracts have been signed by May 15th of the applicable RA year (coincident with July RA showings) and then communicating this to the ISO by submitting the required fill in template per dates specified in the Reliability Requirements Business Practice Manual. The import capability on the specific branch group would then be retained for the length of the contract; however if the individual LSEs future total year ahead allocation falls below the previous year(s) total locked up amount, then the LSE will be limited to that future year ahead allocation. LSEs will be required to provide the ISO with contract priorities and preferences of curtailment order before MIC allocations are given out for the next RA year. The total locked up amounts for each LSE represents the sum of all their existing transmission contracts (ETCs), transmission ownership rights (TORs), pre-resource adequacy import commitments and new applicable contracts.

Applicable RA contracts used for locking maximum import capability allocations to branch group:

The ISO would like to ensure that capacity built outside California to support ISO load will be available and accessible to California on the same basis as RA capacity in the ISO balancing area is available to the ISO. Therefore the ISO proposes that new contracts used to lock MIC allocations to branch groups should be associated with source-specified import resources (either resource specific or an aggregation of specific resources). This design is consistent with the proposed import RA rules and maintains alignment with RA enhancement must offer obligation rules.

The import capability would also only be locked for years within the RA contract term that the capacity rights span a minimum of 3 summer months (between June-September). For years when the contract drops below the minimum summer months requirement, the RA import allocations can still be received through the annual allocation process, however the LSE will not have a retained allocation or pre-assignment at the respective branch group level.

If the specific resource or the aggregation of specific resources have variable qualifying capacity values between months, then the month with the highest total qualifying capacity value by branch group will represent the locked amount. These values must be given to the ISO in the template that the LSEs will have to fill in around mid-June for the next RA year.

In order to avoid excessively high off-peak contracts that would lock MIC allocations over the entire year, each LSE's locked amount per branch group (scheduling point) is limited to 120% of the highest summer monthly value. Additional MWs of import capability may be obtained through the regular yearly allocation process, or through trading.

In order to maintain the lock on the branch group, the RA contract used for locking must be active in the next RA year and must be included in the year ahead template submitted to the ISO.

In order to ensure that each LSE has a chance of locking up MIC at any given branch group and that an LSE does not lock up capacity on a certain branch group indefinitely, the LSEs cannot replace the original contract used for locking MIC with a new contract or an extension of the same contract without going through the yearly MIC allocation first.

An extension of an old contract (pre-resource adequacy import commitment or new use) is treated as a new contract and must meet any new (future) tariff and business practice manual requirements in order to achieve a new lock based on its own merits.

Evergreen contracts are not allowed; the RA contracts must have specific end dates and must be communicated to the ISO.

Phased approach to implementation:

As a first step the ISO proposes to allow only contracts for pseudo-ties and resource specific dynamic scheduled resources to be relied upon to start locking multi-year import capability at the branch group level for RA year 2022. Currently only these resources have ISO master file data that proves they are resource specific and they are also allowed to count as import RA under CPUC decision D.19-11-016.

Later, potentially for RA year 2023 and beyond, other types of resource specific resources or aggregations thereof may be added through changes to the applicable business practice manual as long as they meet ISO tariff and revised business practice manual specifications.

POSITIONS OF THE PARTIES

The ISO conducted a stakeholder process from December 2019 to August 2020. The stakeholder process included five rounds of papers, meetings and calls, and stakeholder comments.

There was robust stakeholder participation. After each round of stakeholder engagement the ISO has received no fewer than 10 sets of written comments. The proposal was adapted to take into account input and preferences expressed by the majority of stakeholders.

The proposal is responsive to the majority of LSEs who would like to be able to lock MIC at the branch group level to enable multi-year contracts, while being simple and efficient to implement and being sufficiently flexible to manage load migration concerns, e.g. the formation of new LSEs and year ahead load migration. It provides a framework for LSEs to manage their risk by either staying further back from the 75% limit or their choice of first selling the extra contracts that may be surplus with load share ratio decreases, or second buying extra MIC allocations from other LSEs (if available).

At the end of the stakeholder process, the overall majority of stakeholders have expressed support (with caveats) for the initiative and its outcome.

Support with caveats – Pacific Gas and Electric (PG&E), Valley Electric Association (VEA), Six Cities, California Municipal Utilities Association (CMUA), (the ISO had also received support with caveats in earlier rounds of stakeholder discussions from California Department of Water Resources (CDWR), Northern California Power Agency (NCPA), Southwestern Power Group (SWPG), Brookfield Renewable and Direct Energy)

Neutral – Powerex, Sacramento Municipal Utility District (SMUD)

Oppose with caveats – Southern California Edison (SCE)

Oppose – California Public Utilities Commission (CPUC)

SCE's opposition was due to the CPUC not having made a decision yet on multi-year system RA requirements. While the ISO cannot remedy SCE's concern, Management points out that SCE and other LSEs have already entered into multi-year RA contracts without a CPUC requirement to do so.

CPUC staff supported the direction with caveats through the entire stakeholder engagement, but chose to oppose the final draft proposal because they are concerned with the type of eligible RA contracts that would be allowed to lock MIC on multi-year bases – "Staff requests that CAISO align the resources that can be used to lock MIC with the eligible resources identified in D.19-11-016, should it choose to move forward." In order to remedy the CPUC's concern, the ISO is moving forward with a phased approach. In the first phase only pseudo-ties and resource specific dynamic resources are allowed to lock MIC on a multi-year basis and these resources are also allowed under CPUC specified D.19-11-016.

As for the majority of the caveats from supporting stakeholders, they concerned the RA contracts allowed to lock MIC on multi-year bases. While for some the concerns are addressed by the introduction of the phased approach, for other stakeholders the ISO is committed to working collectively during drafting of the tariff and business practice manual language to further address their caveats. ISO acknowledges that not all caveats may be addressed satisfactorily since some were conceptually opposed to each other.

CONCLUSION

Management requests Board approval of the maximum import capability multi-year allocation initiative as described in this memorandum. It is critical that the ISO implement the provisions outlined in this proposal to facilitate the addition of new resource specific RA import resources dedicated to the LSEs in the ISO control area. Currently there are about 5000 MW of dynamic resources and pseudo-ties that are already under new RA contracts or immediately available for multi-year contracting.

Attachment D – Final Draft Proposal

Maximum Import Capacity Stabilization and Multi-Year Allocation

California Independent System Operator Corporation

March 18, 2021

Maximum Import Capability Stabilization and Multi-Year Allocation

Draft Final Proposal

July 14, 2020

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Maximum Import Capability Stabilization and Multi-Year Allocation Draft Final Proposal

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1. Introduction

The purpose of this initiative is twofold. In the short-term, the purpose is to update the methodology used in the calculation of the simultaneous Maximum Import Capability (MIC) including its description in the CAISO Reliability Requirements Business Practice Manual (BPM) in order to achieve a greater stability of MIC overall allocations. In the long-term, the purpose is to update the annual nature of the MIC allocation process, as described in Tariff section 40.4.6.2 Deliverability of Imports, into a multi-year allocation process to accomplish numerous important objectives, the primary of which is the facilitation of long-term procurement of import resources and multi-year system Resource Adequacy (RA) requirements, should they be established in the future. Enhanced multi-year MIC allocation similarly removes barriers to new resource development external to the CAISO Balancing Authority Area (BAA).

MIC represents the maximum simultaneous deliverability of all imports used in the RA process. The CAISO performs deliverability studies several times a year in its Generation Interconnection and Deliverability Allocation Procedure (GIDAP) and in its Transmission Planning Process (TPP). These studies are conducted for the entire CAISO controlled grid, to test both the deliverability of internal resources and the deliverability of imports, to ensure all resources are simultaneously deliverable to the aggregate of load. Unlike the deliverability of internal resources, which is granted on an ongoing basis to the resource owner, the deliverability of imports is granted to Load Serving Entities (LSEs) on an annual basis through an assignment process.

Stakeholders have previously requested the CAISO review both the MIC calculation and allocation provisions. Some stakeholders have indicated that the CAISO should consider alternative calculation methods and asserted that there are numerous challenges presented by the current 13-step Import Capability Assignment process - in particular, the annual nature of the allocation. The CAISO had started a review of these aspects through the RA Enhancements policy initiative. However, due to the planned implementation timeframe for that effort, the CAISO has determined it is more appropriate to move consideration of these MIC-related provisions from the scope of that initiative and conduct this expedited policy initiative to address more immediate needs. The CAISO is therefore conducting this effort to enhance the MIC calculation methodology and allocation provisions.

1.1. Background

The CAISO assesses the deliverability for imports using the MIC calculation methodology. The CAISO calculates the MIC MW amount mainly based on a historic methodology that utilizes the actual schedules into the CAISO's BAA for highest imports obtained simultaneously during peak system load hours over the last two years. The CAISO examines the prior two years of historical import schedule data during high load periods. Sample hours are selected by choosing two hours in each year, and on different days within the same year, with the highest total import level when peak load was at least 90% of the annual system peak load. The CAISO then calculates the historically-based MIC values based on the scheduled net import values for each intertie, plus the unused Existing Transmission Contract (ETC) rights and Transmission Ownership Rights (TOR), averaged over the four selected historical hours. This concept is an important fundamental principle of the MIC framework, intended to ensure that existing ownership rights and pre-existing RA commitments and contracts are recognized and respected.

MIC values for each intertie are calculated annually for a one-year term and allocated to LSEs using a 13-step process. MIC allocations are not assigned directly to external resources; rather they are assigned to LSEs who choose the portfolio of imported resources they wish to elect for utilization of their MIC allocations. This effectuates an important principle underlying the MIC framework - MIC is allocated to LSEs because LSEs pay for the transmission system; thus, they should receive the benefits from it and choose which external resources are ultimately selected for providing RA capacity that relies on the import capability. Once the allocation process is complete, LSEs can use their MIC allocations on each intertie to support their procurement of RA capacity of external resources. The 13-step import capability allocation process is detailed further below.

RA showings designating import MWs to meet RA obligations across interties using Non-Resource-Specific System Resources, Resource-Specific System Resources, Pseudo-ties, or Dynamically Scheduled System Resources are required to be used in conjunction with a MIC allocation and are considered a firm monthly commitment to deliver those MWs to the CAISO at the specified interconnection point with the CAISO system.

Reference for tariff and business practice manual (BPM) as follows:

1. CAISO Tariff section 40.4.6.2: http://www.caiso.com/Documents/Section40-ResourceAdequacyDemonstration-SCs-CAISOBAA-asof-Aug12-2019.pdf

2. Reliability Requirements BPM sections 6.1.3.5, 6.1.3.6 and Exhibit A-3: https://bpmcm.caiso.com/BPM%20Document%20Library/Reliability%20Requirements/BPM%20for%20Reliability%20Requirements%20Version%2044.docx

2. Issue Paper: Maximum Import Capability Stabilization and Multi-year Assignment Process

The CAISO has identified two primary issues related to the availability of intertie capacity for use in meeting resource adequacy needs. The first issue is the need to ensure the stability of MIC values from one year to the next and as much as possible across a multi-year horizon in order to support multi-year planning and procurement. MIC values derived annually using the current methodology may have greater uncertainty given declining capacity across the Western interconnection as other states pursue GHG reduction goals and retire GHG emitting resources such as coal-fired generating units. They can also be impacted by varying parameters such as hydro conditions, and weather extremes. This reality impinges on the second issue, which is the need to set multi-year MIC allocations that can facilitate multi-year RA import contracts. Resource owners outside the CAISO have been unsuccessful in entering into multi-year RA contracts with the CAISO's LSEs given the uncertainty the CAISO LSEs face regarding how much excess capacity exists that can be imported confidently into the CAISO and more importantly what share of a certain intertie each LSE may receive in future allocations. This proposal addresses these concerns and proposes solutions to achieve the objectives detailed above.

2.1. Maximum Import Capability Stabilization

For most interties, the CAISO calculates MIC values based on historical usage of a given intertie. This historically-based MIC methodology establishes a baseline set of values for each intertie. As noted above, this calculation is based on the maximum amount of simultaneous energy schedules into the CAISO BAA, during select CAISO coincident peak system load hours over last two years. The CAISO also performs a power flow deliverability study in the CAISO's transmission planning process (TPP) to test MIC values to ensure each intertie's MIC can accommodate all state and federal policy goals; if any intertie is found deficient, the CAISO establishes a forward looking MIC for that intertie and plans the system to accommodate this level of MIC in the TPP and the CPUC's RA processes and CAISO supporting processes.

The data provided in Table 1, below, provides historic MIC values calculated over time using the current methodology.

Table 1: Historic MIC data (MWs)

MIC RA Year	2014	2015	2016	2017	2018	2019	2020
Maximum Import Capability	17,486	16,228	15,755	15,221	14,852	15,208	15,524
ETC and TOR held by non-CAISO LSEs	4,090	4,090	4,090	4,211	4,511	5,015	5,015
Available Import Capability for CAISO Resource Adequacy purposes	13,396	12,138	11,665	11,310	10,341	10,193	10,753
Total Pre-RA Import Commitments and ETC	6,047	5,426	5,256	4,736	4,628	4,306	4,239
Remaining Import Capability - less all ETC and TOR	7,348	6,712	6,409	6,574	5,713	5,888	6,515

Some stakeholders have indicated that the MIC calculation methodology should be modified to be a forward-looking approach for all branch groups, in contrast to the current approach. The CAISO's initial review of the MIC calculation process appears to support the contrary view, i.e. that the current MIC allocation methodology to individual branch groups is still appropriate along with the generator interconnection and TPP deliverability studies themselves to provide a reasonable forward look at the import deliverability. The MIC calculation provides the total MIC quantity as well as a breakdown of MW quantities, intertie by intertie, that the technical deliverability study uses to stress the transmission system to evaluate the simultaneous deliverability of import capability. This approach was established through a stakeholder process in 2005 and through a Federal Energy Regulatory Commission (FERC) technical conference. The CAISO is open to additional feedback on the MIC calculation methodology and seeks input on potential analysis or alternative calculation methodologies for further review.

The CAISO has observed declining values for MIC as shown in Table 1. In addition, dry hydro years directly impact the calculation, potentially by up to 50% of the observed values since only the last two years are counted (regardless of hydrology or other external influences). Compounding the declining MIC problem are resource retirements planned in California and across the west due to resource age or to achieve environmental and renewable goals. As such, the CAISO anticipates that Maximum Import Capability could be reduced and more uncertain in coming years, even if only for an interim period.

As many imports flow over the same paths inside California that California-located generation use or may use to access load centers, an immediate decrease of MIC due to the circumstances described above would result in an increase in deliverability to internal resources in the CAISO interconnection queue. This can create a “ratchet effect” where MIC may be reduced due to short term environmental conditions, and then deliverability is re-allocated to internal resources being developed inside California, and then capacity is more limited in the future when conditions may otherwise reverse and restore flows to original higher levels. As a unintended consequence, MIC and internal resources now have to share a deliverability de-rate until new transmission upgrades are in place.

The CAISO would like to provide deliverability protection for MIC allocations commensurate with deliverability protection available to internal resources. Currently, MIC values established in any single year get no deliverability protection, whereas actual net qualifying capacity values for internal resources get protection for minimum 3 years.

Stakeholder Input

The CAISO has received comments from CDWR, CPUC, PG&E, Powerex Corp., SMUD, Six Cities, SCE and WPTF. Majority of stakeholders agree that the CAISO proposal is an improvement to the current methodology. A number of stakeholders request exploration of purely forward looking methodology to establish MIC, however the only expressed proposals relates to the use of physical capability of the intertie with or without accounting for exports.

2.2. Available Import Capability Multi-year Assignment Process.

The CAISO assigns the total Available Import Capability on an annual basis for a one-year term to LSE SCs serving Load in the CAISO’s BAA through the 13-step allocation process detailed in the CAISO tariff.[1] This multi-step assignment process of import capability does not guarantee or result in any actual transmission service being assigned or give any priority rights in the energy market, and it is only used for determining the import capability that can be used by an LSE internal to the CAISO to count import system RA resources towards satisfying their total system RA requirements under the CAISO tariff Section 40. Following the 13-step Available Import Capability allocation process, LSEs have the

[1] CAISO tariff, Section 40.4.6.2.1, Available Import Capability Assignment process.

opportunity to trade their assigned Import Capability with other entities bilaterally. This trading opportunity is detailed in the CAISO tariff, Section 40.4.6.2.2, Bilateral Import Capability Transfers and Registration Process.

As noted in the background above, import capability is not assigned directly to external resources, but instead to the CAISO LSEs because those LSEs and their customers pay for the transmission system and should receive the benefits from it and have the ability to select which external resources are procured and relied upon as part of RA capacity portfolios. The CAISO does not believe this paradigm should be revisited through this initiative and considers that allowing non-LSE to receive allocations to be out of scope.

Table 2 lists the 13 steps of the Available Import Capability Assignment Process.[2]

Table 2: Available Import Capability Assignment process overview

Step	Process description
Step 1	Determine Maximum Import Capability (MIC)
	- Total ETC
	- Total ETC for non-CAISO BAA Loads
Step 2	Available Import Capability
	- Total Import Capability to be shared
Step 3	Existing Contract Import Capability (ETC inside loads)
Step 4	Total Pre-RA Import Commitments & ETC
	- Remaining Import Capability after Step 4
Step 5	Allocate Remaining Import Capability by Load Share Ratio
Step 6	CAISO posts Assigned and Unassigned Capability per Steps 1-5
Step 7	CAISO notifies SCs of LSE Assignments
Step 8	Transfer [Trading] of Import Capability among LSEs or Market Participants
Step 9	Initial SC requests to CAISO to Assign Remaining Import Capability by Intertie
Step 10	CAISO notifies SCs of LSE Assignments & posts unassigned Available Import Capability
Step 11	Secondary SC Request to CAISO to Assign Remaining Import Capability by Intertie
Step 12	CAISO Notifies SCs of LSE Assignments & posts unassigned Available Import Capability
Step 13	SCs may submit requests for Balance of Year Unassigned Available Import Capability

[2] See Section 40.4.6.2.1 of CAISO Tariff.

The CAISO intends to move forward with multi-year available import capability assignment process that facilitates long-term contracting (minimum 3-years) and enables building new resources dedicated to LSEs that serve load inside the CAISO BAA, without unduly restricting entry of new LSEs in the future.

The current annual import capability assignment process facilitates the procurement of excess available capacity outside the CAISO BAA that is not otherwise committed to another BAA. The current annual process does not provide LSEs with certainty that they could retain the same amount of RA import allocation on any particular intertie year over year. This has not been a large concern in the past because of the availability of significant external resources and the stability in allocated import capacity that some larger LSEs, with high load share ratio at the CAISO coincident peak, had experienced. The latter is being significantly impacted due to load migration associated with new Community Choice Aggregation (CCA) entities taking over a significant share of the load serving responsibility. This load migration is anticipated to continue to grow in coming years.

Incorporate an auction or other market based mechanism into the assignment process:

Some stakeholders asked the CAISO to incorporate an auction or other market based mechanism into the Available Import Capability Assignment process. They assert that this will provide alternatives or additional opportunities for LSEs to procure import capability greater than their pro rata load ratio share of MIC on any given branch group/intertie to support a particular RA contract. Alternative mechanisms could allow for more efficient procurement of import capability by LSEs that place a greater value on the Import Capability for various reasons. The CAISO could allocate all, or only a portion of the remaining Available Import Capability through a mechanism similar to the current process, but the CAISO could retain all, or a portion of the remaining Available Import Capability, to be auctioned to or otherwise procured by LSEs. Additional auction revenues could potentially be used to reduce the TAC Transmission Revenue Requirement, or allocated back to LSEs on a pro rata load share basis.

The CAISO believes that a multi-year assignment process would be beneficial with or without the addition of an auction to the Available Import Capability assignment process. Given the significant challenges and requirements in creating such a market mechanism, and that the purpose of this initiative is to focus on more immediate concerns, the auction mechanism could result in unnecessary delay to mitigation of more pressing concerns.

As such, an auction or other market based mechanism to allocate Available Import Capability will not be considered in this initiative.

Enhance the provisions for reassignment, trading, or other forms of sales of Import Capability among LSEs:

The CAISO remains open to changes that facilitate trading import capability. However, just like the auction mechanism it could provide additional benefits, it should not detract from the multi-year allocation process.

Modifying this aspect of the process may be necessary to better facilitate the transfer of Import Capability among LSEs and improve the efficient utilization of Import Capability and will be considered as augmentation to the two main issues mentioned above.

Stakeholder Input

The CAISO has received comments from CDWR, CPUC, PG&E, Powerex Corp., SMUD, Six Cities, SCE and WPTF. A Majority of stakeholders agree that it would be beneficial to have higher certainty that new or existing RA contracts, other than Pre-RA Import Commitments, can receive RA Import allocations at the appropriate scheduling point, in order to facilitate long-term procurement.

An overwhelming majority of stakeholders agree that RA Import Allocations should go to LSEs.

Some concerns were expressed due to on-going proceedings at the CPUC that may or may not result in multi-year system RA requirements.

A few stakeholders request continued exploration of an auction mechanism for RA import allocations.

3. Straw Proposal: Maximum Import Capability Stabilization and Multi-year Assignment Process

The CAISO proposes herein a MIC stabilization methodology that does not maintaining unused deliverability on the interties for extensive periods.

The CAISO proposes herein a multi-year available import capability assignment process that would allow long-term contracting (minimum 3-years) and could facilitate building of new resources dedicated to LSEs that serve load inside the CAISO BAA, without unduly restricting entry of future new LSEs.

3.1. Maximum Import Capability Stabilization

The CAISO has reviewed detailed MIC data from the past 10 years and has assessed different methods to stabilize the value of the overall MIC as well as each individual branch group (scheduling point).

First the CAISO explored the potential to expand the sample period from two to three, five, or ten years. Second the use of maximum, average, median, 75% quartile or some other method to bound MIC around average deviation or standard deviation was examined, relative to each time horizon. The results were not conducive to moving toward a more stable and meaningful MIC calculation; these alternative approaches resulted in values either too high, to low or otherwise still varying every year with more or less volatility.

In order to eliminate most of the yearly volatility, the CAISO believes that some annual observations should be eliminated from the MIC calculation.

Maintaining some form of average calculation avoids the possibility that a single value or a single year negatively affects the MIC calculation for certain branch groups that may have been de-rated during the hours and/or days when maximum import was established. The “de-rate” or “impact” to the intertie schedule may not necessarily be included in the CAISO scheduling system especially if it occurred away from the intertie point, either inside the CAISO or inside the neighboring BAA.

Table 3: Historical Maximum Import Capability

Scheduling Point(s)	Direction	2011 MIC	2012 MIC	2013 MIC	2014 MIC	2015 MIC	2016 MIC	2017 MIC	2018 MIC	2019 MIC	2020 MIC
GONIPP	Import	0	0	0	0	0	0	0	0	0	0
IPP & IPPUTAH	Import	514	481	481	481	481	481	481	481	481	481
MCCULLOUG500	Import	0	57	92	106	126	105	77	39	24	56
MEAD5MSCHD	Import	76	13	0	0	23	0	0	0	0	0
MEAD2MSCHD	Import	42	60	51	40	40	40	40	40	40	40
MARKETPLACE	Import	251	365	259	251	320	243	302	205	114	129
MDWP	Import	132	70	94	74	30	67	193	149	140	173
WESTWING500	Import	131	116	107	91	44	60	66	59	79	67
BLYTHE161	Import	107	90	45	57	68	72	29	16	8	2
CRAG	Import	1	17	36	59	80	80	76	76	80	80
CFETIJ & CFEROA	Import	90	90	90	90	0	0	0	0	0	0
WILLOWBEACH	Import	1158	1011	1213	1263	838	405	300	121	108	166
MIR2	Import	502	517	471	462	462	391	367	312	312	312
IVLY2	Import	0	0	0	0	0	150	95	150	150	150
MOHAVE500	Import	0	0	0	0	0	0	0	0	0	0
ELDORADO500	Import	346	330	323	316	316	316	316	316	745	762
MEAD230	Import	1000	1004	1380	1407	1380	1403	1437	1329	1288	1291
ELDORADO230	Import	439	0	0	180	257	158	226	194	241	355
NORTHGILA500	Import	223	223	223	223	223	223	223	223	223	223
NOB	Import	1469	1283	1208	1490	1544	1544	1283	1270	1517	1559
PVWEST	Import	3313	3024	3039	3131	2699	2716	3254	3129	2866	2923
PARKER230	Import	135	145	154	150	132	103	101	90	90	108
LAKE & RANCHOSECO	Import	578	578	583	591	118	78	78	78	48	62
SILVERPEAK55	Import	0	0	0	8	6	0	0	0	0	0
SUMMIT120	Import	0	0	6	31	25	13	13	0	13	21
SYLMAR	Import	670	667	567	567	567	651	567	642	855	755
LUGO	Import	289	328	538	360	297	356	317	228	132	130
RDM230	Import	0	0	0	306	306	306	328	328	328	328
CTW230	Import	3	0	15	145	167	88	83	88	148	103
LLL115	Import	0	0	0	0	0	0	0	0	0	0
MALIN500	Import	2739	2595	2738	2832	2913	3032	3008	3008	3054	3130
TRCYCOTPISO	Import	6	5	17	26	29	27	27	30	31	23
TESLA230	Import	719	719	719	719	719	719	0	0	15	15
TRCYPGAE & TRCYCOTP	Import	890	1010	984	984	984	907	907	907	874	874
TRCYTEA	Import						0	306	306	306	306
NML230	Import	384	384	384	384	384	384	384	384	384	384
OAKDALE	Import	174	192	192	192	192	192	192	192	194	194
STANDIFORD	Import	306	306	306	306	306	306	306	306	176	176
WESTLYTSLA	Import	102	102	102	102	102	102	102	102	102	102
WESTLYQNTO	Import	35	22	23	47	35	22	22	22	22	24
MARBLE60	Import	15	15	15	15	15	15	15	15	15	15
AMARGOSA230	Import					0	0	1	1	0	0
NWEST	Import					0	0	0	0	5	5
MERCURY138	Import					0	0	0	0	0	0
		16838	**15819**	**16455**	**17486**	**16228**	**15755**	**15521**	**14835**	**15208**	**15524**

Currently, internal CAISO resources that are incapable of operating have their deliverability protected for minimum three years, potentially more if the owner is actively involved in its replacement. In order to provide a similar protection across time for the deliverability of imports (MIC), the CAISO proposes to evaluate a span of five consecutive years. The CAISO believes the proposal below meets the goal of not maintaining unused deliverability on the interties for excessively long periods, and it is consistent with the time deliverability provided resources internal to the CAISO.

To stabilize MIC, the CAISO is proposing to use the average of four hours, with no more than one hour per day, two hours in each one of the two years with the highest actual imports (when load is at or above 90% of that year's peak) among the past five years.

This methodology will have the least deviation from current method that was agreed upon by all following a long stakeholder process and mediation through a FERC technical conference.

The years are ranked by the sum of their two highest actual imports (when load is at or above 90% of that year's peak).

Once the four selected data points are established by actual real-time data, transmission usage data from OASIS is used from the hour ahead (HASP) market for the same hour as established by real-time data. The CAISO will use the actual net schedules plus the unused ETC and TOR for that hour for each branch group. The hour ahead market data is preferred because is closer to real-time then day ahead market and it has higher values than real-time market data because the ETCs and TORs are protected for in the day ahead and hour ahead market however, they are released in the real-time market.

The base line MIC calculation will use branch group by branch group HASP schedule for those 4 hours as established above. In order to come up with the actual MIC for the applicable (future) RA year, the base line calculation above is augmented by the future year available ETC, TOR and Pre-RA Import Commitments as well as TPP portfolio (in order to assure that state and federal policy goals are achieved).

The new proposed methodology does have a drawback. Under the existing methodology, new resources can increase MIC on a certain intertie by providing schedules during the hours of need, up to 50% after the first year and up to 100% after two years. Under the new proposed methodology, they may only establish increased MIC if the last year or last two years rank among top two in last five, otherwise the new schedules will not increase MIC. The CAISO hopes that this drawback is partially mitigated beforehand by detailed and precise review of the TPP portfolios provided by state and federal agencies. New steps introduced under the MIC assignment process below can accomplish further mitigation.

Stakeholder Input

The CAISO has received comments from SCE, AWEA – California, PG&E, Powerex Corp., CalCCA, SMUD, Six Cities, SWPG, WPTF and CPUC. A majority of stakeholders agree that the CAISO proposal is an improvement to the current methodology. A number of stakeholders request exploration of a purely forward looking methodology to establish MIC, with two of the proposals requesting the use of the physical capability of the interties with or without accounting for exports.

3.2. Available Import Capability Multi-year Assignment Process.

In order to assure that deliverability for unused branch group is not maintained for extensive periods, or that overused branch groups are allowed to increase, the Maximum Import Capability must be allowed to vary (up and down) among years. This requirement is in contradiction with the objective of allowing multi-year contracts and/or locking MIC by LSEs for multi-year use. A balanced approached would be to lock in a certain percentage for multi-year use while another percentage is held back to allow for variation. In the detailed description below the CAISO is empirically investigating the preferred split among the locked part that should be given out for three or more years versus the variable part that should be held back and released in the year ahead time frame.

Maximum Import Capability percent difference between years:

Based on the most recent ten years' worth of data, the maximum year over year percentage difference was 7%, maximum two year out percentage difference was 10%, and maximum three year out percentage difference was 12%.

Maximum expected future decrease of Maximum Import Capability between years due to expiration of old ETC/TOR and Pre-RA Import Commitments:

Based on the most recent "Advisory Estimates of Future Resource Adequacy Import Capability"[3] the current highest overall drop in maximum import capability (MIC) is at about 2%, however the same data from two years ago show as much as 4% decline.

The portion of overall MIC that is secured for future use by current ETC/TOR and Pre-RA import commitments that cannot be allocated to other LSEs in future years:

Based on the most recent "Advisory Estimates of Future Resource Adequacy Import Capability" currently between 60% in the near future and about 50% ten years out of maximum import capability is already locked up with existing long-term contracts.

Specific branch group variation among years:

The year-over-year percentage difference of each branch group can be quite different and at times with significant outliers that do not follow a general pattern, therefore it is not a good variable to use to bind the release quantities for LSE allocation. The CAISO proposes to bind the branch group by branch group allocations on the low side based on actual multi-year contracts that LSEs have singed (either ETC, TOR, Pre-RA Import Commitments or new multi-year contracts as proposed further below). The CAISO proposes not to bind the branch group by branch group allocations on the high side unless deliverability problems are encountered during studies.

Individual LSE load forecast variation among years:

Based on the most recent five years' worth of data, and after eliminating biased data from the first year of operation and data from LSEs affected by load migration to new Community Choice Aggregators (CCA), the 1 year spread is within 20% (with about 80% confidence level) and within 30% (with about 90% confidence level). The 2 year spread is within 20% (with about 80% confidence level) and within 40% (with about 90% confidence level), whereas the 3 year spread is within 30% (with about 80%

[3] http://www.caiso.com/Documents/AdvisoryestimatesoffutureResourceAdequacyImportCapabilityforyears2017-2026.pdf

confidence level) and within 45% (with about 90% confidence level). To note that within each one of the spreads there were several significant outliers.

Chart 1: Percentage Load forecast change from one year to the next

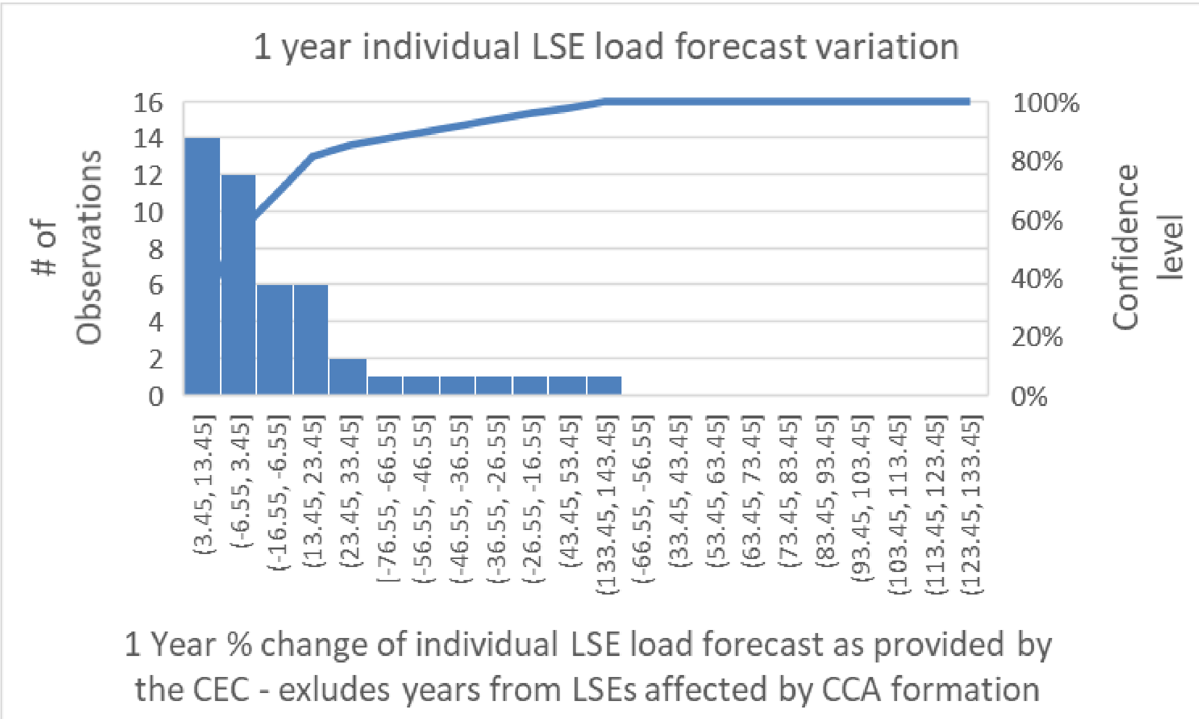


Chart 2: Percentage Load forecast change every two years

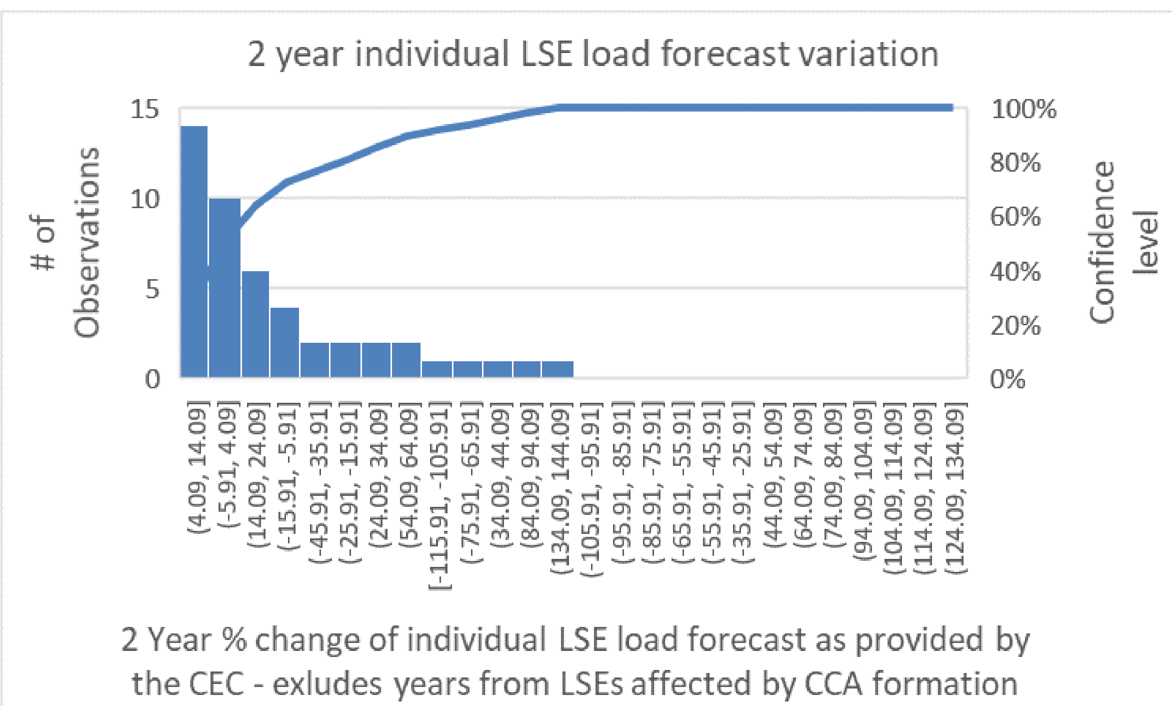
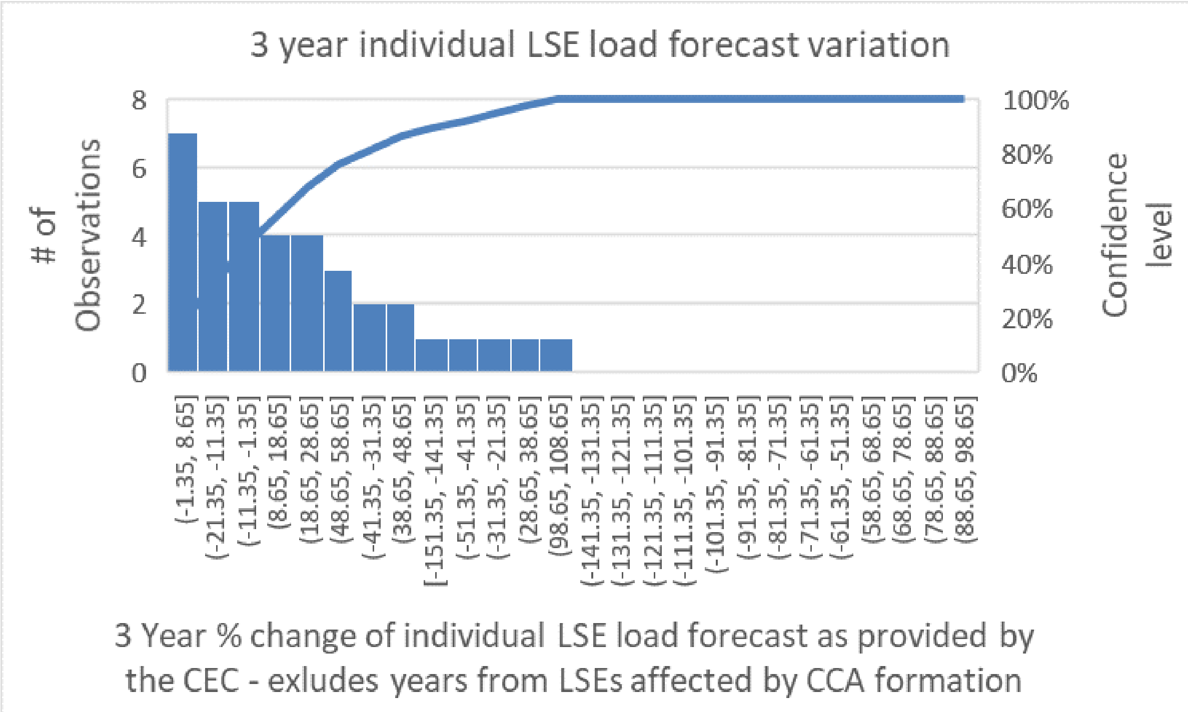


Chart 3: Percentage Load forecast change every three years



There are multiple reasons for the load forecasting variations, above. These reasons include:

- Actual accuracy of the forecasts between years,
- Load growth and information provided by the LSE to the CEC,
- The difference in time,
- Day and month of the projected CAISO coincident peak etc.

Straw proposal:

Percent of MIC to be allocated in the 3-year ahead timeframe versus 1-year ahead timeframe:

In order to assure that the year-by-year observed variation of maximum import capability (year by year maximum percent difference + maximum decrease between years) does not impose a heavy burden on yearly allocations, the three year out MIC allocation should not exceed 85% of MIC.

In order to assure liquidity in the 3 year out MIC allocation at least half of the current 'Remaining Import Capability" (not locked by existing ETC, TORs and Pre-RA Import Commitments) should be given out. Resulting in a minimum 80% of MIC (based on data from future years 1-8) to minimum 75% of MIC (based on data from future years 9-10).

The CAISO is currently proposing to allocate 80% of MIC in the 3-year ahead timeframe and the remaining in the year ahead timeframe. There would be no incremental MIC allocated two years forward, though LSE are permitted to trade allocated MIC during that year. Alternative proposals could be 75% or 85% of MIC allocated in the 3-year ahead timeframe.

The allocations given in the 3-year ahead process must be locked in by the receiving LSE through RA contracts and communicated to the CAISO before the year ahead MIC allocation process begins else they will be available for reallocation to all LSEs. This way the unused allocations could go to LSEs with higher or increased load share ratio, the allocation may effectively be returned to the same LSE if its load share ration stayed the same or increased between the 3-year ahead process and the 1-year ahead process. If locked by RA contracts before the year ahead MIC allocation process begins, the respective LSE's one-year allocation may not decrease below the locked portion regardless of the year ahead load share ratio of the respective LSE.

Assurance of MIC allocations for new RA contracts beyond the 3-year horizon:

In order to further assure that once an import RA contract is signed, it can count by the LSE for the full term of the contract and not just 3 years the CAISO is proposing to establish a threshold below which the LSE may enter into long-term RA import contracts with unlimited years. The threshold level (by using individual LSE by LSE load forecast variation among years) should be about 55% (with ~90% confidence level) and about 70% (with ~80% confidence level) of their load share quantity.

The CAISO is currently proposing to allow LSEs to lock MIC allocation for up to 20 years if the contracts are within 60% of their total 3 year out allocation. Because certain LSE are currently at or above their load share ratio the total locked MIC for more than 3 years will effectively be at over 71%.

If locked by RA contracts before the year-ahead MIC allocation process begins, the respective LSE's one year and 3-year ahead allocations may not decrease below the locked portion regardless of the load share ratio of the respective LSE.

Should locking up MIC allocations through new RA contracts, be allowed only for contracts that are completely below the unlimited year threshold or the 3-year allocation or should they be allowed up to the unlimited year threshold or the 3-year allocation even if this only constitutes part of the RA contract? Example: A LSEs unlimited threshold is 60 MW, the 3-year ahead allocation is 80 MW and its load share quantity is 100 MW. If the LSE signs a 10-year 80 MW RA import contract, should 60 MW of this contract be allowed to count for unlimited threshold or not?

The CAISO is currently proposing to allow any part of a contract to count toward a LSEs unlimited threshold or 3-year ahead allocation. In the above-mentioned example, the LSE will be at risk for a portion of this contract (20 MW) during the next 3-year allocation.

Locking up MIC allocations at the branch group level:

If the current methodology of branch group assignment is maintained the allocation process will follow steps 8-12, after which the LSEs will have about one year and half to lock their received branch group allocations by signing RA contracts. Any unlocked amounts of RA import allocations will be reallocated during the annual Ra import allocation process.

The CAISO is open to different approaches either firm come first served (must have proof of signed long-term RA contract) or through a “open window” where LSEs are directly competing against each other for the most attractive and lucrative branch group allocations.

Transparency:

The CAISO is currently proposing to make public information related to the LSE holder and locked up amounts, including expiration years, for each individual branch group.

Sell or cancelation of contracts used to lock MIC allocations:

Any LSE selling or canceling a RA import contract used to lock MIC allocations will lose its benefit in the next RA allocation process. The CAISO must be notified within two weeks after sell and/or cancelation.

Any LSE purchasing an RA contract currently used by a different LSE to lock MIC allocation may use it as its own contract (from a new current date) to lock its own MIC allocation, during the next available allocation process, if it has room under its unlimited or 3-year ahead threshold.

If an LSE chooses to sell its current import contract used to lock MIC allocations along with its MIC allocation then the selling LSE must maintain the contract under their name throughout the CAISO allocation process, both 3-year ahead and 1-year ahead, and it must transfer to the buyer the contract and the MIC allocations directly through CIRA, every year after the final allocations have been posted.

Any renewal or extension of expiration date of an existing contract should constitute a new contract and the LSE must go through the process of locking up MIC allocations again at their current established load ratio share. Any contract must renew at least once in 20 years, therefore any “evergreen” or “life of the plant” type contracts are assumed to expire at the end of every 20-year period and the LSE must go through the process of locking up MIC allocations again at their current established load ratio share.

Change to the Remaining Import Capability allocation methodology:

Currently the Remaining Import Capability after Step 4 is assigned only to Load Serving Entities serving Load within the CAISO Balancing Authority Area that have not received Existing Contract Import Capability and Pre-RA Import Commitment Capability under Steps 3 and 4, that exceed the Load Serving Entity’s Load Share Quantity. And it is assigned until fully exhausted to those Load Serving Entities eligible to receive an assignment under this Step based on each Load Serving Entity’s Import Capability Load Share Ratio up to, but not in excess of, its Load Share Quantity.

This methodology to split the Remaining Import Capability results in an uneven contribution among the eligible LSE. Example:

Table 4: Current RIC allocation methodology

TIC = 500	Load share ratio	Steps 3 & 4	Load share quantity	Load Share after step 4	RIC assignment	Actual allocation MW	Effective allocation
LSE 1	53	15	500*.53=265	.53/.98=.54	300*.54=162	177	177/265=.67
LSE 2	40	75	500*.40=200	.40/.98=.41	300*.41=123	198	198/200=.99
LSE 3	5	10	500*.05=25	.05/.98=.05	300*.05=15	25	25/25=1
LSE 4	2	100	500*.02=10	-	-	100	100/10=10

The CAISO is proposing to use a different methodology to split the Remaining Import Capability that will result in a leveled contribution from each eligible LSE as follows:

Follow steps 1-4 as done today.

Under step 5 after eliminating LSEs serving load within the CAISO Balancing Authority Area that have received Existing Contract Import Capability and Pre-RA Import Commitment Capability under Steps 3 and 4, that exceed the Load Serving Entity's Load Share Quantity; calculate the Gross Remaining Import Capability by subtracting the sum of the MWs assigned to excluded LSE from the Total Import Capability:

GRIC=TIC-∑ (MWs assigned to non-eligible LSEs).

Then calculate the share of GRIC on a load share ratio among the remaining eligible LSEs.

Any LSEs with MIC allocation from Steps 3 &4 higher than or equal to its GRIC allocation will also be excluded from further allocation of RIC.

Each remaining eligible LSE will have its RIC calculated by subtracting its total of MIC allocations under steps 3 &4 from its share of its GRIC.

LSEs share of RIC=LSE share of GRIC-∑ (MIC allocations under steps3 & 4)

Table 5: Proposed new RIC allocation methodology

TIC = 500	Load share ratio	Steps 3 & 4	Load share quantity	Load Share after step 4	GRIC share	RIC assignment	Actual allocation MW	Effective allocation
LSE 1	53	15	500*.53=265	.53/.98=.54	400*.54=216.3	216-15=201.3	216.3	216.3/265=.82
LSE 2	40	75	500*.40=200	.40/.98=.41	400*.41=163.3	163.3-75=88.3	163.3	163.3/200=.82
LSE 3	5	10	500*.05=25	.05/.98=.05	400*.05=20.4	20.4-10=10.4	20.4	20.4/25=.82
LSE 4	2	100	500*.02=10	-	-	-	100	100/10=10

<u>Significant changes to the LSE by LSE load forecast due to formation of new LSEs:</u>

While the CAISO believes that the proposal herein will stand well against normal year-by-year fluctuations in MIC, CEC load forecast, load growth and other normal changes between years it may not be suitable during creations of new LSEs, especially when their size is significant compared to the size of the departing LSE.

If the departing LSE does not have significant locked MIC allocations then there is no impact during the transfer. However, if the departing LSE has significant locked MIC allocations due to existing RA import contracts then this could create an issue for both the new LSE – by potentially not having available MIC in the annual or multi-year allocation process and for the departing LSE since now it could potentially be stranded with a RA contract and little to no load.

These situations arise when a significant portion of the load in one area is transferred from one LSE to another (like the creation of new CCAs). In these special cases, should the departing LSE be forced to relinquish certain RA Import contracts and their respective locked MIC allocations to the new LSE? Moreover, in the same cases should the new forming LSE be forced to take over certain RA Import contracts and their respective locked MIC allocations from the old LSE? Should there be a test of size significance, before the new and departing LSEs must engage in these transfers?

Currently the CAISO has no proposal and seeks more input; especially from the parties most likely involved with these load transfers at the LSE and regulatory levels.

Stakeholder Input

The CAISO has received comments from SCE, AWEA – California, PG&E, Powerex Corp., CalCCA, SMUD, Six Cities, SWPG, WPTF and CPUC. A majority of stakeholders agree that it would be beneficial to have higher certainty that new or existing RA contracts, other than Pre-RA Import Commitments, can receive RA Import allocations at the appropriate scheduling point, in order to facilitate long-term procurement.

An overwhelming majority of stakeholders agree that RA Import Allocations should go to LSEs.

Some concerns still remain due to on-going proceedings at the CPUC that may or may not result in multi-year system RA requirements.

An overwhelming majority of stakeholders agree that the proposed changes to Step 5 of the MIC allocation process is an improvement to the existing process.

Based on similar comments received from SCE, PG&E, SWPG and CPUC, the CAISO has developed an alternative multi-year allocation proposal that addresses load migration directly and would provide higher certainty for long-term RA import contracts to receive MIC allocations at their desired intertie. However, under the new alternative the LSEs will have to manage a higher risk associated with signing such long-term import RA contracts then under the CAISO original straw proposal. The new alternative is described herein under the revised straw proposal.

4. Draft Final Proposal: Maximum Import Capability Stabilization & Revised Straw Proposal: Multi-year Assignment Process

The CAISO is moving forward with a draft final proposal regarding MIC stabilization methodology consistent with that proposed under the straw proposal.

The CAISO proposes herein, a second alternative to the multi-year available import capability assignment process that would allow long-term contracting (minimum 3-years) and could facilitate building of new resources dedicated to LSEs that serve load inside the CAISO BAA, without unduly restricting entry of future new LSEs.

4.1. Maximum Import Capability Stabilization

The CAISO and the majority of stakeholders agree that the CAISO proposal for MIC stabilization is an improvement to the current methodology.

A number of stakeholders request further exploration of purely forward looking methodology to establish MIC. The only proposals provided by stakeholder relate to the use of physical capability of the intertie with or without accounting for exports. As the CAISO has expressed before, the total of physical capability of each intertie totals about 44,400 MW and the highest net import the CAISO has ever seen is around 12,500 MW. The CAISO believes that maintaining unused deliverability on interties would be to the detriment of new internal resources inside the CAISO (connected close to the same nodes where imports are scheduled). This will negatively impact all CAISO ratepayers and therefore the CAISO will not be moving forward with alternate proposals that solely rely on physical capability of interties. The CAISO believes that some evidence needs to exist that the import capability is being used, or potentially will be used, to support an RA import, in order for the CAISO to continue to maintain its deliverability at the expense of new resource entrants in the CAISO grid. Currently, among concrete measures of availability, including actual RA usage, future CPUC IRP portfolios, and actual energy schedules, the highest value of MIC is established by continued use of actual energy schedules. The CAISO continues to believe that actual energy schedules are still the most appropriate way of establishing and dividing MIC among the available interties for this reason.

The CAISO is willing to explore other viable alternatives through this on-going stakeholder process however any new proposals will not be implementable for RA year 2021. The CAISO needs to commence changes to the Reliability Requirements BPM in April in order for these changes to be approved in May for June implementation. Other viable alternatives may be discussed and explored for RA year 2022 implementation along with the multi-year MIC allocation effort.

Draft final proposal for MIC stabilization:

The CAISO proposes to calculate Maximum Import Capability for the next RA year, by using the average of four hours, with no more than one hour per day, two hours in each one of the two years with the highest actual imports (when load is at or above 90% of that year’s peak) among the past five years.

The years will then be ranked by the sum of their two highest actual imports (when load is at or above 90% of that year's peak).

Once the four selected data points are established by actual real-time data, transmission usage data from OASIS is used from the hour ahead (HASP) market for the same hour as established by real-time data. The CAISO will use the actual net schedules plus the unused ETC and TOR for that hour for each branch group. The hour ahead market data is preferred because is closer to real-time then day ahead market and it has higher values than real-time market data because the ETCs and TORs are protected for in the day ahead and hour ahead market however, they are released in the real-time market.

The baseline MIC calculation will use branch group by branch group HASP schedule for those 4 hours as established above. In order to come up with the actual MIC for the applicable (future) RA year, the baseline calculation above is augmented by the future year available ETC, TOR and Pre-RA Import Commitments as well as TPP portfolio (in order to assure that state and federal policy goals are achieved).

Stakeholder Input

The CAISO has received comments from SWPG, SCE, NCPA, VEA, SDG&E, SVP, SMUD, Six Cities, CMUA, CPUC and PG&E. A majority of stakeholders agree that the CAISO proposal is an improvement to the current methodology. A number of stakeholders request exploration of a purely forward looking methodology to establish MIC, with two of the proposals requesting elimination on the import allocation process for RA.

4.2. Available Import Capability Multi-year Assignment Process.

The CAISO and stakeholders agree that two elements presented in the straw proposal (are necessary and represent improvements to the current process: transparency and changes to Remaining Import Capability allocation methodology - step 5. The CAISO is proposing to move forward with these two elements of the proposal. Regarding multi-year MIC allocations, all stakeholders agree that providing higher level of certainty for retention of MIC allocations at a certain branch group year over year would be an improvement to the existing process. The stakeholder feedback on this issue has been split mainly between two groups; one that prefers highest level of certainty – once signed – contracts dictate MIC allocations and they cannot be reduced due to changes in load forecast and a second group that prefers the load share ratio to always be the driver of MIC allocations, even if it results in slightly lower level of certainty towards already signed import RA contracts. The CAISO will therefore be presenting two alternatives in this revised straw proposal and solicits further stakeholder input on both.

Transparency:

The CAISO is currently proposing to make public information related to the LSE holder and locked up amounts, including expiration years, for each individual branch group.

Change to the Remaining Import Capability allocation methodology:

The CAISO is proposing to use a different methodology to split the Remaining Import Capability that will result in a leveled contribution from each eligible LSE as follows:

- Follow steps 1-4 as done today.
- Under step 5, after eliminating LSEs serving load within the CAISO Balancing Authority Area that have received Existing Contract Import Capability and Pre-RA Import Commitment Capability under Steps 3 and 4, that exceed the Load Serving Entity's Load Share Quantity; calculate the Gross Remaining Import Capability by subtracting the sum of the MWs assigned to excluded LSE from the Total Import Capability:
- GRIC=TIC-∑ (MWs assigned to non-eligible LSEs).
- Then calculate the share of GRIC on a load share ratio among the remaining eligible LSEs.
- Any LSEs with MIC allocation from Steps 3 &4 higher than or equal to its GRIC allocation will also be excluded from further allocation of RIC.
- Each remaining eligible LSE will have its RIC calculated by subtracting its total of MIC allocations under steps 3 &4 from its share of its GRIC.
- LSEs share of RIC=LSE share of GRIC-∑ (MIC allocations under steps 3 & 4).

For additional details or examples see straw proposal above.

Revised Straw proposal:

<u>Alternative 1 – RA contracts always respected (same as straw proposal):</u>

- Allocate MIC to LSEs as follows: 80% of total MIC three years out and 20% of total MIC one year out.
- LSEs may lock up their multi-year allocations through RA contracts as follows: 60% of their allocation for up to 20 years, 20% of allocations up to 3 years, and 20% of allocations on a yearly bases.
- Three year out allocations not locked up before the year ahead process will be reallocated to all the LSEs.
- LSE by LSE three year out MIC allocation at the branch group level follows steps 8-12 as available today.

For additional details or examples see straw proposal above.

Pros: RA contracts are always respected and assures they can be counted for by the purchasing LSE irrespective or changes in load share ratio or formation of new LSEs (load migration).

Cons: The alternative does not address high deviations/changes in load share ratio or formation of new LSEs (load migration).

Alternative 2 – Load share ratio always respected (new):

- Allocate MIC to LSEs as follows: 75% of total MIC three years out and 25% of total MIC one year out.
- LSEs may lock up their multi-year allocations through RA contracts for an undetermined length of time, however if the individual LSEs year ahead allocation falls below the previous year(s) lock-up amount, then the LSE will be limited to the current year ahead allocation. Each LSE with new RA contracts that lock-up MIC allocations at the branch group level must provide the CAISO with RA contract priority curtailment order. This is necessary in order for the CAISO to process RA contract curtailments in case the new MIC allocations fall below the previous year lock-up amounts.
- Three year out allocations are not locked up before the year ahead process will be reallocated to all the LSEs.
- LSE by LSE three year out MIC allocation at the branch group level follows steps 8-12 as available today.

Pros: It directly addresses high deviations/changes in load share ratio or formation of new LSEs (load migration).

Cons: LSEs signing multi-year import RA contracts need to self-manage their risk of changes in load share ratio or formation of new LSEs by either being willing to sell part of their current RA portfolio or being willing to purchase additional MIC allocations from other LSEs.

RA contracts used for locking MIC allocations to branch group for either option:

The CAISO agrees with stakeholder comments that the CAISO should develop mechanisms that will ensure capacity built outside California to support CAISO load will be available and accessible to California on the same basis as RA capacity in the CAISO balancing area is available to the CAISO. Therefore the CAISO is proposing that new contracts used to lock MIC allocations to branch group should be associated only with either pseudo-tied resources, resource-specific dynamically scheduled system resource or other resource-specific system resource.

Stakeholder Input

The CAISO has received comments from CDWR, SWPG, SCE, NCPA, VEA, SDG&E, SVP, SMUD, Six Cities, WPTF, PowerEx, CMUA, CPUC and PG&E.

A majority of stakeholders agree that it would be beneficial to have higher certainty that new or existing RA contracts, other than Pre-RA Import Commitments, can receive RA Import allocations at the appropriate scheduling point, in order to facilitate long-term procurement.

An overwhelming majority of stakeholders agree that RA Import Allocations should go to LSEs.

An overwhelming majority of stakeholders agree that transparency is a key feature of any proposal.

An overwhelming majority of stakeholders agree that the proposed changes to Step 5 of the MIC allocation process is an improvement to the existing process.

There is no stakeholder agreement on a preferred alternative to allocate multi-year MIC. Based on feedback and preference the responses can be grouped in a few similar buckets:

- Neutral - NCPA, SVP – seeking exemptions for extensions to the old Pre-RA Import Commitments from new rules applied to new use RA contracts
- Alternative 1 (contracts always prevail) - CDWR, SWPG, VEA, SMUD – first choice without market/auction improvements, SDG&E (second choice)
- Alternative 2 (load share ratio prevails) - CPUC, PG&E, SCE, SMUD – secondary choice better with market/auction improvements, WPTF (second choice)
- Auction - SDG&E, WPTF
- Eliminate - Six Cities, CMUA – eliminate import deliverability allocation or do deliverability studies after the showings are in
- Pending RA contracts - PowerEx

5. Final Proposal: Maximum Import Capability Stabilization & Second Revised Straw Proposal: Multi-year Assignment Process

The CAISO is moving forward with a final proposal regarding MIC stabilization methodology consistent with that proposed under the draft final proposal.

The CAISO is moving forward with a second revised straw proposal regarding the multi-year available import capability assignment process based on a simplified version of previous alternative 2, that would allow long-term contracting and could facilitate building of new resources dedicated to LSEs that serve load inside the CAISO BAA, without unduly restricting entry of future new LSEs.

5.1. Maximum Import Capability Stabilization

The CAISO and the majority of stakeholders agree that the CAISO proposal for MIC stabilization is an improvement to the current methodology.

The CAISO has filled PRR 1239 for changes to the Reliability Requirements Business Process Manual (RR BPM) related to implementation of the draft final proposal. The new BPM language may seem extensive however it merely moves the current methodology from an old 2005 technical bulletin into the RR BPM. The only substantial change is the use of data from highest two years among the last five vs. the current use of data from the last two years.

Final proposal for MIC stabilization:

The CAISO proposes to calculate Maximum Import Capability for the next RA year, by using the average of four hours, with no more than one hour per day, two hours in each one of the two years with the highest actual imports (when load is at or above 90% of that year's peak) among the past five years.

The years will then be ranked by the sum of their two highest actual imports (when load is at or above 90% of that year's peak).

Once the four selected data points are established by actual real-time data, transmission usage data from OASIS is used from the hour ahead (HASP) market for the same hour as established by real-time data. The CAISO will use the actual net schedules plus the unused ETC and TOR for that hour for each branch group. The hour ahead market data is preferred because is closer to real-time then day ahead market and it has higher values than real-time market data because the ETCs and TORs are protected for in the day ahead and hour ahead market however, they are released in the real-time market.

The baseline MIC calculation will use branch group by branch group HASP schedule for those 4 hours as established above. In order to come up with the actual MIC for the applicable (future) RA year, the baseline calculation above is augmented by the future year available ETC, TOR and Pre-RA Import Commitments as well as TPP portfolio (in order to assure that state and federal policy goals are achieved).

Exploration of other alternatives for RA year 2022 and beyond:

The CAISO is willing to explore other viable alternatives through this on-going stakeholder process for RA year 2022 implementation along with the multi-year MIC allocation effort.

Recap of previous attempts:

- Methodology may not be purely based on physical capability of the system
- Proof of use either energy or capacity must exist for maintaining or increasing MIC
- CPUC main portfolio is already tested and included in current MIC calculation
- Sole use of RA showings will always result in lower MIC values than currently available
- The CAISO cannot transfer MIC (deliverability for imports) from one branch group to another

A future enhancement to the calculation method could be centered around actual new RA contracts available at each individual branch group vs. the total available MIC for the same branch group.

Stakeholder Input

The CAISO has received comments from CDWR, SWPG, SCE, NCPA, VEA, Direct Energy Business, Six Cities, CPUC and PG&E. A majority of stakeholders agree that the CAISO proposal is an improvement to the current methodology. A few stakeholders request exploration of a purely forward looking methodology to establish MIC, with one of the proposals requesting elimination on the import allocation process for RA.

5.2. Available Import Capability Multi-year Assignment Process.

The CAISO and stakeholders agree that two elements presented in the straw proposal (are necessary and represent improvements to the current process: transparency and changes to Remaining Import Capability allocation methodology - step 5. The CAISO is proposing to move forward with these two elements of the proposal. Regarding multi-year MIC allocations, all stakeholders agree that providing higher level of certainty for retention of MIC allocations at a certain branch group year over year would be an improvement to the existing process.

The stakeholder feedback on this issue has been split mainly between four groups; one that prefers highest level of certainty – once signed – contracts dictate MIC allocations and they cannot be reduced due to changes in load forecast, a second group that prefers the load share ratio to always be the driver of MIC allocations, even if it results in slightly lower level of certainty towards already signed import RA contracts, a third group that prefers an auction mechanism and a fourth group that want to eliminate RA Import Allocation or prefers running deliverability studies after showings are in.

The CAISO will be moving forward with a simplified version of Alternative 2, details can be found below.

Transparency:

The CAISO is currently proposing to make public information related to the LSE holder, locked up amounts, lock starting date, and lock expiration date, for each individual branch group.

Change to the Remaining Import Capability allocation methodology:

The CAISO is proposing to use a different methodology to split the Remaining Import Capability that will result in a leveled contribution from each eligible LSE as follows:

- Follow steps 1-4 as done today.
- Under step 5, after eliminating LSEs serving load within the CAISO Balancing Authority Area that have received Existing Contract Import Capability and Pre-RA Import Commitment Capability under Steps 3 and 4, that exceed the Load Serving Entity’s Load Share Quantity; calculate the Gross Remaining Import Capability by subtracting the sum of the MWs assigned to excluded LSE from the Total Import Capability:
- GRIC=TIC-∑ (MWs assigned to non-eligible LSEs).

- Then calculate the share of GRIC on a load share ratio among the remaining eligible LSEs.
- Any LSEs with MIC allocation from Steps 3 &4 higher than or equal to its GRIC allocation will also be excluded from further allocation of RIC.
- Each remaining eligible LSE will have its RIC calculated by subtracting its total of MIC allocations under steps 3 &4 from its share of its GRIC.
- LSEs share of RIC=LSE share of GRIC-∑ (MIC allocations under steps 3 & 4).

For additional details or examples see straw proposal above.

Second Revised Straw proposal:

<u>Simplified Alternative 2 (new) – Load share ratio always respected – Single year allocation with multi-year lock at the branch group level</u>

- LSE by LSE one year out MIC allocation at the branch group level follows same process as today. (Process ends about mid-late August for next RA year.)
- LSE may lock the allocations they currently held at the branch group level through RA contracts for an undetermined length of time, however if the individual LSEs future total year ahead allocation falls below the previous year(s) total lock up amount, then the LSE will be limited to that future year ahead allocation
    - LSEs to provide the CAISO with contract priority curtailment order and preference before MIC allocations are given out for the next RA year – curtailment preference may be for part of the contract – if the LSE intends to keep, at minimum the part that received allocation, and show the RA contract for the next RA Year – or it can be for the curtailment of the entire contract if the LSE intends to sell or dispose of the contract.
- Up to 75% of LSEs year ahead total MIC allocation (as communicated by the CAISO per step 7) can be locked up at the branch group level by multi-year applicable contracts signed by May 15th of the applicable RA year (coincides with July RA showings) AND they must be communicated to the CAISO by June 1st of the applicable RA year.
- The total locked up amounts for each LSE represents the sum of all their ETCs, TORs, Pre-RA Import Commitments and New Applicable Contracts.

Pros: Provides a way to get up to 75% of ones MIC allocation locked up at a branch group level for long-term contracting. It directly addresses high deviations/changes in load share ratio or formation of new LSEs (load migration). It is closest to current allocation method already previously agreed upon by stakeholders and approved by FERC.

Cons: LSEs signing multi-year import RA contracts need to self-manage their risk of changes in load share ratio or formation of new LSEs by either; staying further back from the 75% limit, selling the extra contracts with load share ratio decrease, buying extra MIC allocations from other LSEs.

The CAISO cannot eliminate the import allocation process, because there is high risk for infeasibility of simultaneous RA contract deliverability, namely the total of physical capability of each intertie totals about 44,400 MW whereas MIC (deliverability for imports) is about 15,500 MW.

The CAISO decided it should not move deliverability testing until after the showings are in, because this could leave LSEs with stranded assets, it will required at least one extra month for showings validation (in order to conduct deliverability studies) and it could have high ramification of CPM back-stop costs allocations regarding system RA.

The CAISO decided not to move forward with Alternative 1 because it has an inherent, currently unsolved, problem of not accounting for either load migration or CEC load forecast deviation. While at the beginning the problem may be small, it will compound over time when more and more LSEs may be left with either contracts far in excess of their fair share or not receiving equitable import allocation.

The CAISO decided not to move forward at this time with an auction because of its high cost for development and implementation and the fact that the Remaining Import Capability not yet assigned to a branch group represents today only about 40% of MIC and it is projected to decrease in the next few years once new long-term RA import contracts are allowed to lock MIC at the branch group level.

<u>Applicable RA contracts used for locking MIC allocations to branch group:</u>

The CAISO would like to ensure that capacity built outside California to support CAISO load will be available and accessible to California on the same basis as RA capacity in the CAISO balancing area is available to the CAISO.

Therefore the ISO is proposing that new contracts used to lock MIC allocations to branch group should be associated with source specified import resources (either resource specific or an aggregation of specific resources). This design is consistent with the proposed import RA rules and maintains alignment with RAE must offer obligation rules.

In order to qualify for any one year lock the RA contract has to span a minimum of 3 summer months (between June-September). For years when the contract drops below the minimum summer months requirement the RA import allocations can still be received through the annual allocation process, however the LSE will not have a lock or pre-assignment at the respective branch group.

If the specific resource or the aggregation of specific resources have variable Qualifying Capacity values between months, then the month with the highest total QC value by branch group will represent the locked amount. These values must be given to the CAISO in the template LSEs will have to fill in around mid-June for the next RA year (similar to the Pre-RA Import Commitment template).

Example - LSE A has 3 contracts at the same branch group:

Res. 1	8.61	7.38	17.22	15.38	15.38	20.30	14.15	12.92	9.23	4.92	7.38	8.00
Res. 2	0.00	1.00	2.00	3.00	5.00	6.00	6.00	5.00	3.00	2.00	1.00	0.00
Res. 3	8.30	10.30	10.50	15.3	15.3	8.50	8.50	7.50	6.50	5.00	4.00	2.00
Total	16.91	18.68	29.72	33.68	35.68	34.80	28.65	25.42	18.73	11.92	12.38	10.0

MIC allocation lock for this branch group will be 35.68 MW for the next RA Year.

In order to maintain the lock on the branch group, the RA contract used for locking must be active in the next RA year and must be included in the year ahead template submitted to the CAISO.

The LSE cannot change the contract used for locking MIC with a new contract or an extension of the same contract without going through the yearly MIC allocation first.

An extension of an old contract (Pre-RA Import Commitment or New Use) is treated as a new contract and must meet any new (future) Tariff and BPM requirements in order to achieve a new lock based on its own merits.

Evergreen contracts are not allowed, the RA contract must have a specific end date and must be communicated to the CAISO.

Stakeholder Input

The CAISO has received comments from CDWR, SWPG, SCE, NCPA, VEA, Brookfield Renewable, Direct Energy Business, SMUD, Six Cities, PowerEx, CMUA, CPUC and PG&E.

A majority of stakeholders agree that it would be beneficial to have higher certainty that new or existing RA contracts, other than Pre-RA Import Commitments, can receive RA Import allocations at the appropriate scheduling point, in order to facilitate long-term procurement.

An overwhelming majority of stakeholders agree that RA Import Allocations should go to LSEs.

An overwhelming majority of stakeholders agree that transparency is a key feature of any proposal.

An overwhelming majority of stakeholders agree that the proposed changes to Step 5 of the MIC allocation process is an improvement to the existing process.

Based on feedback the responses are:

- Support – PG&E
- Support with caveats - CDWR, SWPG, NCPA, VEA, CPUC, Brookfield Renewable, Direct Energy Business
- Neutral – PowerEx
- Oppose with caveats – SCE (lack of multi-year system rules); SMUD, Six Cities, CMUA (eliminate)

6. Final Proposal: Maximum Import Capability Stabilization & Draft Final Proposal: Multi-year Assignment Process

The CAISO is moving forward with a final proposal regarding MIC stabilization methodology consistent with that proposed under the draft final proposal.

The CAISO is moving forward with a draft final proposal regarding the multi-year available import capability assignment process based on a simplified version of previous alternative 2, that would allow long-term contracting and could facilitate building of new resources dedicated to LSEs that serve load inside the CAISO BAA, without unduly restricting entry of future new LSEs.

6.1. Maximum Import Capability Stabilization

The CAISO and the majority of stakeholders agree that the CAISO proposal for MIC stabilization is an improvement to the current methodology.

The CAISO has implemented the change for RA year 2021.

Final proposal for MIC stabilization:

The CAISO proposes to calculate Maximum Import Capability for the next RA year, by using the average of four hours, with no more than one hour per day, two hours in each one of the two years with the highest actual imports (when load is at or above 90% of that year's peak) among the past five years.

The years will then be ranked by the sum of their two highest actual imports (when load is at or above 90% of that year's peak).

Once the four selected data points are established by actual real-time data, transmission usage data from OASIS is used from the hour ahead (HASP) market for the same hour as established by real-time data. The CAISO will use the actual net schedules plus the unused ETC and TOR for that hour for each branch group. The hour ahead market data is preferred because is closer to real-time then day ahead market and it has higher values than real-time market data because the ETCs and TORs are protected for in the day ahead and hour ahead market however, they are released in the real-time market.

The baseline MIC calculation will use branch group by branch group HASP schedule for those 4 hours as established above. In order to come up with the actual MIC for the applicable (future) RA year, the baseline calculation above is augmented by the future year available ETC, TOR and Pre-RA Import Commitments as well as TPP portfolio (in order to assure that state and federal policy goals are achieved).

Exploration of other alternatives for RA year 2022 and beyond:

To date the CAISO and stakeholder have not found a viable alternatives to replace the current method for calculating the Maximum Import Capability.

Enhancement or changes to the calculation method (for example centered around actual new RA contracts) may be explored in the future through an open stakeholder process.

6.2. Available Import Capability Multi-year Assignment Process.

The CAISO and stakeholders agree that two elements are necessary and represent improvements to the current process: transparency and changes to Remaining Import Capability allocation methodology - step 5. The CAISO is proposing to move forward with these two elements of the proposal. Regarding multi-year MIC allocations, all stakeholders agree that providing higher level of certainty for retention of MIC allocations at a certain branch group year over year would be an improvement to the existing process.

The stakeholder feedback on this issue, in general has been fairly positive the CAISO will be moving forward with a simplified version of Alternative 2, details can be found below.

Transparency:

The CAISO is currently proposing to make public information related to the LSE holder, locked up amounts, lock starting date, and lock expiration date, for each individual branch group.

Change to the Remaining Import Capability allocation methodology:

The CAISO is proposing to use a different methodology to split the Remaining Import Capability that will result in a levelized contribution from each eligible LSE as follows:

- Follow steps 1-4 as done today.
- Under step 5, after eliminating LSEs serving load within the CAISO Balancing Authority Area that have received Existing Contract Import Capability and Pre-RA Import Commitment Capability under Steps 3 and 4 that exceed the Load Serving Entity's Load Share Quantity; calculate the Gross Remaining Import Capability by subtracting the sum of the MWs assigned to excluded LSE from the Total Import Capability:
- GRIC=TIC-∑ (MWs assigned to non-eligible LSEs).
- Then calculate the share of GRIC on a load share ratio among the remaining eligible LSEs.
- Any LSEs with MIC allocation from Steps 3 &4 higher than or equal to its GRIC allocation will also be excluded from further allocation of RIC.
- Each remaining eligible LSE will have its RIC calculated by subtracting its total of MIC allocations under steps 3 &4 from its share of its GRIC.
- LSEs share of RIC=LSE share of GRIC-∑ (MIC allocations under steps 3 & 4).

For additional details or examples see straw proposal above.

Draft Final proposal:

Simplified Alternative 2 (new) – Load share ratio always respected – Single year allocation with multi-year lock at the branch group level

- LSE by LSE one year out MIC allocation at the branch group level follows same process as today. (Process ends about mid-late August for next RA year.)

- LSE may lock the allocations they currently held for the entire RA year, at the branch group level through RA contracts for an undetermined length of time, however if the individual LSEs future total year ahead allocation falls below the previous year(s) total lock up amount, then the LSE will be limited to that future year ahead allocation

    - LSEs to provide the CAISO with contract priority curtailment order and preference before MIC allocations are given out for the next RA year – curtailment preference may be for part of the contract – if the LSE intends to keep, at minimum the part that received allocation, and show the RA contract for the next RA Year – or it can be for the curtailment of the entire contract if the LSE intends to sell or dispose of the contract.

- Up to 75% of LSEs' year ahead total MIC allocation (as communicated by the CAISO per step 7) can be locked up at the branch group level by multi-year applicable contracts signed by May 15th of the applicable RA year (coincides with July RA showings) AND they must be communicated to the CAISO by submitting the required fill in template per dates specified in the Reliability Requirements BPM.

- The total locked up amounts for each LSE represents the sum of all their ETCs, TORs, Pre-RA Import Commitments and New Applicable Contracts.

Applicable RA contracts used for locking MIC allocations to branch group:

The CAISO would like to ensure that capacity built outside California to support CAISO load will be available and accessible to California on the same basis as RA capacity in the CAISO balancing area is available to the CAISO.

Therefore the ISO is proposing that new contracts used to lock MIC allocations to branch group should be associated with source specified import resources (either resource specific or an aggregation of specific resources). This design is consistent with the proposed import RA rules and maintains alignment with RAE must offer obligation rules.

In order to qualify for any one year lock the RA contract has to span a minimum of 3 summer months (between June-September). For years when the contract drops below the minimum summer months requirement the RA import allocations can still be received through the annual allocation process, however the LSE will not have a lock or pre-assignment at the respective branch group.

If the specific resource or the aggregation of specific resources have variable Qualifying Capacity values between months, then the month with the highest total QC value by branch group will represent the locked amount. These values must be given to the CAISO in the template LSEs will have to fill in around mid-June for the next RA year (similar to the Pre-RA Import Commitment template).

Example - LSE A has 3 contracts at the same branch group:

Month	Jan.	Feb,	Mar.	Apr.	May	June	July	Aug.	Sept,	Oct.	Nov.	Dec.
Res. 1	8.61	7.38	17.22	15.38	15.38	20.30	14.15	12.92	9.23	4.92	7.38	8.00
Res. 2	0.00	1.00	2.00	3.00	5.00	6.00	6.00	5.00	3.00	2.00	1.00	0.00
Res. 3	8.30	10.30	10.50	15.3	15.3	8.50	8.50	7.50	6.50	5.00	4.00	2.00
Total	16.91	18.68	29.72	33.68	35.68	34.80	28.65	25.42	18.73	11.92	12.38	10.0

MIC allocation lock for this branch group will be 35.68 MW for the next RA Year.

In order to avoid excessively high off-peak contracts that would lock MIC allocations over the entire year, each LSEs locked amount per branch group (scheduling point) is limited to 120% of the highest summer monthly value. Additional MWs may be obtained through the regular allocation process, without lock or through trading.

In order to maintain the lock on the branch group, the RA contract used for locking must be active in the next RA year and must be included in the year ahead template submitted to the CAISO.

In order to assure that each LSE has a chance of locking up MIC at any given branch group and to also assure that an LSE does not have a forever lock on a certain branch group; the LSEs cannot change the contract used for locking MIC with a new contract or an extension of the same contract without going through the yearly MIC allocation first.

An extension of an old contract (Pre-RA Import Commitment or New Use) is treated as a new contract and must meet any new (future) Tariff and BPM requirements in order to achieve a new lock based on its own merits.

Evergreen contracts are not allowed, the RA contract must have a specific end date and must be communicated to the CAISO.

7. Stakeholder Engagement and EIM Governing Body Role

Stakeholder input is critical for developing both the short-term stabilization method and the long-term multi-year allocation process. The schedule proposed below allows opportunity for stakeholder involvement and feedback.

This initiative does not require briefing to EIM Governing Body, because the amount and/or allocation of RA import capability applies only to Load Serving Entities (LSEs) within the CAISO Balancing Authority Area (BAA). The changes to the MIC calculation methodology requires changes to the Reliability

Requirements Business Process Manual (RRBPM) whereas changes to the allocation process will need to be approved by the CAISO Board of Governors before changes to the CAISO Tariff need to be approved by the Federal Energy Regulatory Commission (FERC).

7.1. Schedule

Table 3 lists the proposed schedule for the updates to the Maximum Import Capability stabilization and multi-year assignment process.

Table 6: Schedule for Maximum Import Capability stabilization and multi-year assignment process

Item	Date
Post Issue Paper	December 3, 2019
Stakeholder Call	December 10, 2019
Stakeholder Comments Due	December 24, 2019
Post Straw Proposal	January 22, 2020
Stakeholder Meeting	January 29, 2020
Stakeholder Comments Due	February 13, 2020
Post Revised Straw Proposal	March 12, 2020
Stakeholder Call	March 19, 2020
Stakeholder Comments Due	April 2, 2020
Post Second Revised Straw Proposal	May 21, 2020
Stakeholder Call	May 28, 2020
Stakeholder Comments Due	June 11, 2020
Post Draft Final Proposal	July 14, 2020
Stakeholder Call	July 21, 2020
Stakeholder Comments Due	August 4, 2020
CAISO Board of Governors Meeting	September, 2020

The CAISO proposes to present its proposal to the CAISO Board of Governors on September 2020. The CAISO is committed to providing many opportunities for stakeholder input into its market design, policy development, and implementation activities. Stakeholders should submit written comments to RegionalTransmission@caiso.com.

7.2. Next Steps

The CAISO will discuss the Draft Final Proposal during the stakeholder call on July 21, 2020. The CAISO requests stakeholders submit written comments in response to the Maximum Import Capability stabilization and multi-year assignment process draft final proposal and stakeholder meeting by August 4, 2020.