



PECHANGA INDIAN RESERVATION General Manager
Temecula Band of Luiseño Mission Indians Pi-Ta Pitt

PECHANGA WESTERN ELECTRIC
Post Office Box 1477 • Temecula, CA 92593
Telephone (951) 770-6240 Fax (951) 695-7445

July 14, 2021

TO: California Independent System Operator (CAISO)
BPM_CM@caiso.com

Copy: kalmeida@caiso.com; Keith.Ban@sce.com; Martha.GuzmanAceves@cpuc.ca.gov

RE: Comments on Business Practice Manual Proposed Revision Request 1280 in advance of Executive Appeals Hearing, August 4, 2021

Pechanga Western Electric is the tribally owned utility operated by the Pechanga Band of Luiseño Indians (“Tribe”). While we are not an Appellant under this process, we are an interested stakeholder and have been working with CAISO and our wholesale distribution service provider, Southern California Edison (SCE) to respond to the proposed changes in PRR 1280. We now find it important to describe how the proposed changes potentially negatively impact Pechanga and how we have worked to address the impacts.

Issue:

Impacts of a BPM change PRR 1280 on Pechanga Western Electric

In its *BPM change PRR 1280*, issued on October 6, 2020, CAISO proposed to change its treatment of demand response “credits” to accept only credits that “net to zero”. We appreciate that this change is subject to a December 9, 2020, appeal by the CAISO Executive Appeals Committee and that the decision is held in abeyance pending this process.

We propose that this change to PRR 1280 be rescinded in favor of more targeted solutions that continue to assure grid stability. We propose that CAISO permit another grid-secure option for accounting for behind the meter resources that cannot participate as a supply-side resource under the current rules.

We were unclear whether our credits net to zero, until we were informed we would be required to purchase additional capacity to meet the new CAISO proposed requirements at a minimum cost of approximately \$600,000 in the first year alone. This is clearly an unsustainable cost for our small utility, especially when the purchased RA may not even be deliverable to the LSE if our load was islanded due to an outage during an emergency.

These material costs eliminate the value of many of the investments the Tribe has made to our behind the meter resources. They are a deterrent to tribal self-sufficiency. They could also impact future similar

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investments by the Tribe and other tribes. These costs are contrary to the policies established in federal, state and tribal laws to promote tribal self-sufficiency and sovereignty. For example, we recently received a State of California grant to assist us in meeting self-sufficiency and sovereignty goals through purchase of microgrid control equipment, additional generation and battery storage that will strengthen our resilience and LSE responsibilities for the future and lengthen our ability to serve load while under islanding conditions. The benefit of the grant may be impacted through our new costs to purchase resource adequacy.

As a small utility we have also found that the capacity market is not liquid for those that do not have long histories with many generators. To meet these changes, we have considered bilateral contracts from older generators, which is a step in the wrong direction for efficient power markets. Due to this new need for duplicating our resource adequacy, we have seen capacity and RA prices significantly increase in the last two-three years. We expect with fewer natural gas plants due to once through cooling and retirements and an influx of nondispatchable renewables RA prices will likely continue to increase. In some months there appears to be no available capacity for sale.

Under the change proposed, Pechanga Western Electric would have born the unfair burden of paying these additional costs for resource adequacy when there is no means for us to use it or deliver energy when our loads are islanded due to a grid event, market forces or the loss of SCE's 33 kV radial line to our utility. The requirement to purchase this unnecessary resource adequacy will also be an impediment to other tribal utilities wishing to form as it will raise costs and impair the ability to exercise sovereignty and be self-sufficient.

Lastly, it appears that our ability and willingness to help to alleviate a grid event has been met with a penalty rather than with encouragement.

Background

On October 1, 2017, we began buying power and transmission using the services of the CAISO. We are the only tribal utility currently acting as a CAISO defined Load Serving Entity (LSE) on your system, however we believe there will be others in the future. Our ability to provide our own electricity has been both an economic and sovereignty benefit to our Tribe. We have sincerely appreciated the assistance of the CAISO staff in assuring that a tribal utility can participate in the California wholesale energy industry.

We are a non-jurisdictional LSE and therefore not under the jurisdiction of the State of California, but instead our membership has delegated our Tribal Council the regulatory responsibility for our electric utility matters; the Tribal Council is our Local Regulatory Authority (LRA). We appreciate that CAISO has shown respect for this unique status. Our LRA regulates only one LSE, so in essence, this arrangement is the Tribe making sovereign decisions for the reliable delivery of resources needed and used to serve the loads of the Pechanga Western Electric customers.

CAISO has recently proposed to revise the Business Practice Manual for Reliability Requirements and these revisions could negatively impact Pechanga Western Electric in ways that are likely unintended consequences. **Please allow these comments to describe the issues and the team effort of CAISO and SCE to address them.**

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We acknowledge CAISO's role to assure grid reliability, as well as Pechanga Western Electric's LSE role to ensure our customers are served, especially when CAISO or SCE's electric delivery system causes an islanding or separation of our utility from the grid. As stated in *Section 2.1 Objectives of this BPM*, ISO is charged under both California law and by FERC with the responsibility for the reliable operation of the transmission system under its Operation Control. Resource adequacy is a necessary element of reliable grid operations." *Section 2.3 Consideration in Determining Resource Margins to Satisfy Reliability Levels* states, "Achieving reliability in the bulk electric system require, among other things that the amount of generating capacity exceeds customer Demand by some amount." *Section 40.4.1 of the CAISO Tariff* states that CAISO "shall use the criteria provided by (the LRA) to determine and verify, if necessary the Qualifying Capacity of all Resource Adequacy Resources." The LRAs therefore establish rules to assure that each utility acquires an appropriate reserve margin, and they, along with CAISO rules assure that these reserves are communicated to the CAISO system through the Scheduling Coordinators entering reserve information into CAISO's CIDI RA Compliance Template.

We are a small utility imbedded in the SCE system. Our peak load is 15 MW, and we have behind-the-meter resources in excess of our peak load. In an event that islands Pechanga Western Electric's loads, such as a curtailment or loss of SCE's 33 kV radial line to Pechanga Western Electric's system, we are a completely self-sufficient LSE, with neither the CAISO nor SCE's system capable of providing energy or any RA resources. Such islanding events occurred 4 times in 2018, 5 times in 2019 and 7 times in 2020. There have been 3 islanding events so far in 2021. These events resulted in an *improvement to CAISO's System RA and energy* due to the CAISO demand modifying islanded loss of Pechanga Western Electric load. The CAISO further benefits during an islanding event because the grid can still receive our unused injected allocation of Hoover and Parker-Davis Project capacity and energy to help CAISO reliably serve its other Balancing Authority (BA) loads. For this reason as an LSE, not only have we planned for and invested in resilience to serve our own Local RA Capacity within the sometimes constrained LA Basin Local Capacity Area, we also have sufficient behind-the-meter resources to serve our own System and Flex RA Capacity along with our Reserve Margin which have all been approved by our LRA.

During regular operations we use our federal hydropower, cogeneration, solar and other resources based on their costs and in compliance with tribal and federal laws and our LRA's stated reserve obligations. *It is our Tribe's choice how we use our resources to meet our internal loads during disturbances, curtailments or times of LSE concern of grid reliability, as long as our use of resources complies with tribal and federal environmental rules and our contracts with CAISO and SCE.*

Because of the numerous historical outages of SCE power service, Pechanga has installed combined heat and power (CHP) turbines, diesel generators and battery energy storage systems to allow PWE to be fully interrupted from the SCE 33 kV system and ride through a system interruption. Pechanga is currently also installing additional solar and battery systems. In emergencies, the PWE load is entirely served by Pechanga generators operating in its own microgrid. Pechanga's load interconnection agreement with SCE currently does not allow PWE to deliver power back (export) into the SCE system. During the recent CAISO grid events PWE has been called by the CAISO and SCE. PWE actively participated in monitoring our imports from the CAISO and testing internal backup generation during the peak periods so that PWE reduced the need to buy capacity or energy from the grid. Our 7-10MW imports from the

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CAISO grid to our wholesale meter have been almost entirely eliminated without a grid interruption and without our delivering power into the SCE system.

Though this results in benefits to the CAISO as a CAISO load reduction, we do not consider this “demand response” but tribal microgrid generation as our resource choice and necessity for reliability of our loads. Our loads stayed essentially the same, but we choose to meet the loads with our resources not available to the market. We have therefore come to the assistance of the CAISO to keep the lights on especially during emergency and curtailment situations. Under tribal self-sufficiency, we are not required to make these resources available to the market, but as evidenced, PWE is ready, willing, and able to share resources in emergency situations.

CAISO’s CIDI RA Compliance Template does not have a “tab” for our Scheduling Coordinator to enter these tribal behind the meter microgrid operations and generators. Our Scheduling Coordinator therefore previously entered our LRA’s decisions on resource adequacy on the “demand response” tabs which results in a CAISO demand modifier or CAISO demand reduction response that is available and ready to be called upon, that benefits the CAISO.

Team Efforts to Respond to the Proposed Changes

Pechanga Western Electric has held productive team calls with CAISO and SCE to attempt to avoid purchasing expensive and unusable RA products. To resolve the issues, CAISO has stated we must schedule our whole load in the day ahead market and then schedule our matching generation in the day ahead or real time markets. For settlements, the generation payment would net against our load. While Pechanga has technical deliverability of our generation resources, our SCE interconnection is a *wholesale load interconnection* agreement, not a *generation interconnection agreement*. SCE must therefore accommodate us by permitting us to export our generation in some manner.

Note that our 4.6MW of CHP has run continuously for years behind the wholesale meter regardless of whether it has been “identified” by CAISO. Our 18MW of diesel generators and 2MW of batteries allow us to bring those resources online in emergencies. We will soon have additional solar and batteries to support our loads. We have confirmed that the metering is in place to allow all parties to read the net energy of total load minus our generation.

SCE is working diligently with us to amend our Wholesale Distribution load access agreement to allow us to export our generation during system emergencies under certain exceptions in our agreement. For this summer, SCE is working on temporary instructions to allow PWE to operate during emergencies and we expect the paper work very soon.

Our Request

We support other entities’ comments and arguments related to the procedural and substantive issues raised by changing the “demand response” method of accounting of behind the meter generation as a resource adequacy resource. We support grid security, but feel it can be achieved through narrower and less expensive methods. We propose that this change to PRR 1280 be rescinded in favor of more targeted

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solutions that continue to assure grid stability. We propose that CAISO permit another grid-secure option for accounting for behind the meter resources that cannot participate as a supply-side resource under the current rules.

We want to be assured that in the future if changes are made which significantly impact our costs or procedures, or that change the Tribe's ability to make its own energy decisions that we are aware of them within reasonable planning horizons. We would appreciate that when any major changes to how Pechanga Western Electric will participate in the power markets are made, that they be subject to appropriate procedures including government-to-government consultation, if appropriate.

Thank you for this ability to comment. We are happy to work with CAISO to create solutions to resolve CAISO capacity or RA shortfalls especially during flex or stage 1-3 alerts and times of grid instability. For further information or questions, please contact:

Pi-Ta Pitt, General Manager
Pechanga Western Electric
Pechanga Band of Luiseño Indians
12705 Pechanga Rd
PO Box 1477
Temecula, CA 92593
(951) 770-6240
ppitt@pechanga-nsn.gov

Sincerely,



Pi-Ta Pitt
General Manager, Pechanga Western Electric

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