

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
<i>C.C. Song Regulatory Analyst, MCE (415) 464-6018</i>	<i>Marin Clean Energy</i>	<i>May 04, 2016</i>

Marin Clean Energy (“MCE”) is a Community Choice Aggregator (“CCA”) that has been providing electricity generation service to customers within Pacific Gas and Electric Company’s (“PG&E”) service territory since 2010. MCE was the first operational CCA in California, and currently provides electric service to over 175,000 retail customers in Marin County, unincorporated Napa County, and the cities of Richmond, San Pablo, El Cerrito, and Benicia. The towns and cities within Napa County, the City of Lafayette, and the City of Walnut Creek have recently joined MCE and are expected to receive MCE service this year. This is expected to increase MCE’s total customer accounts served to approximately 250,000 by late 2016.

MCE appreciates the opportunity to provide comments on the CAISO’s Revised Straw Proposal on Regional Resource Adequacy (“RA”). As a Load Serving Entity (“LSE”), MCE meets California’s RA standards by procuring qualifying capacity sufficient to meet MCE’s projected peak demand plus a 15% planning reserve margin. In addition to this general requirement, MCE must ensure that mandated proportions of such capacity resources are procured from local reliability areas defined by the California ISO. Historically, MCE relied on one full requirements contracts with a single counterparty to supply all of its energy, capacity, and renewable energy requirements, including its RA requirements. In recent years, however, MCE has developed its own energy procurement function and now satisfies its system, local, and flexible RA capacity requirements through a combination of short- and long-term contracts with various counterparties. In addition, MCE has long-term capacity rights under several of its power purchase agreements, which will provide a portion of MCE’s local RA needs over the next ten years. Notably, MCE entered into these existing contracts for RA on the basis of the current Maximum Import Capability (“MIC”) process and existing RA transfer capacity constraints.

MCE recognizes that the ISO needs to develop a set of rules for RA that can work effectively in a regional, multi-state environment. To help ensure the efficient and reliable operation of a western regional balancing authority, the ISO must implement regional RA rules that encourage new LSEs to join the expanded balancing authority while at the same time respecting the pre-existing rights and contractual arrangements of LSEs that are already within the California ISO. The ISO also needs to ensure that the new regional RA rules it develops – particularly with

respect to MIC requirements and a potential zonal approach to RA – do not have unintended consequences or harm market competition.

MCE offers specific comments on the following portions of the ISO’s revised straw proposal: (1) the MIC proposal; and (b) internal RA transfer capability constraints (i.e. the zonal RA proposal).

1. Maximum Import Capability

MCE acknowledges that some limited changes to the current MIC allocation process may be necessary to accommodate new market entrants and take advantage of the non-simultaneous peak loads that would occur in different areas within the expanded balancing authority area. However, as the ISO notes in the Revised Straw Proposal,¹ it is absolutely critical that when designing these new rules the ISO protect the pre-existing arrangements and contractual obligations that already exist between entities on particular interties. At a minimum, the ISO needs to ensure that pre-existing contracts for RA capacity are unaffected by any changes the ISO may require to the MIC methodology.

2. Zonal RA

On a conceptual level, MCE does not oppose the ISO’s proposal to develop a zonal RA concept under which the ISO would establish RA zones, zonal import limits, and zonal RA requirements for each RA zone and the LSEs serving load in each of the defined RA zones. But it is essential that the ISO thoroughly consider the impact that a zonal RA approach could have on all different types of LSEs, including community choice aggregators.

For instance, MCE is concerned that a zonal RA approach could put CCAs at a competitive disadvantage to the larger California Investor Owned Utilities (“IOUs”). CCAs cover a relatively-small geographic area and exist entirely within the boundaries of the larger IOUs. If a zonal RA approach allowed the IOUs access to cheaper RA capacity resources from a larger geographic area that could be used to meet the IOUs’ RA requirements, CCAs with smaller footprints may not be able to access these same capacity resources. Assuming that RA resources in California will be more expensive than potential out-of-state RA options, CCAs such as MCE could unfairly be put at a competitive disadvantage if they are not able to access these out-of-state resources to meet their RA obligations.

As the ISO continues to develop its zonal RA proposal, MCE recommends that the ISO continue to focus some of the fundamental requirements that underpin the RA market, including that LSEs must adhere to regional capacity boundaries and transmission constraints when contracting for RA and that RA value should be accounted for where the load is actually located. MCE looks forward to continuing to work with the ISO on these important issues.

¹ See ISO Revised Straw Proposal, at 25.