

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the Revised Straw Proposal for the Regional Resource Adequacy initiative that was posted on April 13, 2016. Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on May 4, 2016.

Please provide feedback on the Regional RA Revised Straw Proposal topics:

1. Load Forecasting

Development of Load Forecast. In response to CAISO's question regarding the level of load forecast flexibility that should be required, NCPA believes that it is appropriate and necessary for the CAISO to allow flexibility for LSEs to develop their own load forecasts in a manner that best fits their individual needs. Individual LSEs are likely to be exposed to unique conditions that have a material impact on the development of load forecasts. For example, the local economy and associated variables within a given service area may be dramatically different from general macroeconomic factors that CAISO would otherwise likely rely on for developing a system wide forecasting methodology. These types of unique factors will have a significant influence on load forecast development. A common, system-wide forecasting methodology would not be able to factor in these type of unique variables. The individual LSE will always be most familiar with its own load patterns and the unique factors that may influence such loads. It will therefore always be best situated to develop the most accurate forecast.

Reasonableness Review and CAISO Adjustment Authority. The CAISO has provided no basis justifying why it should supersede the judgment of the Local Reliability Authority (LRA) in establishing load forecasting methodologies and load forecasts for LSEs. NCPA strongly believes that each LRA should be solely responsible for managing how its jurisdictional LSEs develop their respective load

forecasts. The CAISO should not make any adjustments to LSE load forecasts. The CAISO is not a regulatory authority and is not a utility; rather, the CAISO is responsible for managing the day-to-day operations of the grid within its BAA. To the extent that the CAISO identifies that a particular LSE's load forecasts are systematically over- or under-stated, the CAISO should notify the appropriate LRA, and allow the LRA to work with the respective LSE to identify the source of the divergence.

If CAISO nevertheless proceeds with its proposal to review and adjust an LSE's forecast, the proposal should be revised to clearly state that discussions with the LRA will precede any CAISO proposal to modify an LSE's forecast.

2. Maximum Import Capability

No comments at this time.

3. Internal RA Transfer Capability Constraints

Zonal Resource Adequacy Requirements. In general, NCPA does not object to the concept of a zonal resource adequacy process that is designed to ensure system capacity is properly distributed throughout the CAISO footprint to maintain reliable operations of the grid; provided, however, NCPA strongly believes that any proposed zonal design must ensure that LSEs are not negatively impacted simply due to where their load is currently served. The current CAISO proposal contains very little information about how the proposed zonal design would:

- 1.) Avoid unfairly imposing costs on LSEs located in zones that lack sufficient RA resources, especially areas where it is unlikely that significant amounts of new renewable resources will be built;
- 2.) Avoid stranding RA assets, where an LSE in one RA zone might already have invested in owned or contracted RA generation in another zone, with no way to assure deliverability to the zone where its load is located;
- 3.) Use netting to assist LSEs with these difficulties.

Existing Transmission Constraints. In some ways, a zonal design for RA is similar to the concept of Local RA already embedded in the CAISO Tariff. Under the local RA program, LSEs may purchase Local RA resources in any of the Local Zones, and those purchases are credited against the LSE's Local RA obligation, regardless of the Local RA zone in which the LSE load is located. The reason this structure was adopted in the first place is that the transmission constraints that created the Local RA zones were not the result of economic investment decisions by load and resources responding to LMP price signals, but artifacts of the time when large utilities engaged in integrated resource planning under the authority of the CPUC. Decisions as to which resources to locate where, and which transmission upgrades to build, were made based on good utility practice and based on identifying the result that would afford customers the lowest overall cost of service (averaged across an LSE's entire

rate base) even if that approach resulted in load pockets or clusters of generation. CAISO concluded, and FERC agreed, that it was better to spread the costs of Local RA procurement over all load in the CAISO BAA, because all load had benefited from the decisions that created transmission constrained load pockets in the first place.

Transmission is not cheap to build and a zonal design under which LSEs are required to meet different system capacity PRM targets may create a direct and immediate disadvantage for those LSEs who are not able to resolve the applicable zonal constraint. For example, in most cases significant transmission infrastructure investments are required to reduce or eliminate zonal constraints. There are only a limited number of entities that have the authority or the capability to address such limits. Depending on how the zonal constraints may influence such entities' commercial position, they may or may not have a compelling reason to make the necessary investments to address the constraint. Nevertheless, load should not be punished for transmission investment decisions based on an earlier paradigm. Based on this, among other concerns held by NCPA, NCPA believes that each zone should have an equal system PRM target.

Potential for Stranded RA Assets. Any zonal design must also take into consideration historic procurement, so that existing resource commitments are not stranded due to program changes. The resource adequacy program has been in place for several years. Many LSEs have invested in generation ownership or long term bilateral contracts with resources to provide RA service. The program has worked very well in part because LSEs have made such investments. While the resource adequacy program is ever evolving, each time the CAISO decides to make changes to the program, CAISO must be sensitive to how such changes may impact and/or strand long term investments. CAISO must give consideration to LSEs that may be located in one zone but that may have ownership or contract rights to RA resources in a separate zone. The proposed changes to the program must not result in stranded long term resource investments.

Further, any zonal mechanism must address the issue of where RA generation capacity might be acquired in the future. For example, it is likely that a number of LSEs may be contemplating meeting their growing RPS obligations with solar facilities located in the south, and they will wish to use those resources to meet their RA obligations. If they cannot get those resources delivered across the constraint, that could adversely affect resource choice for LSEs located in zones with fewer or less economic renewable options. The result could be over-procurement and added costs for ratepayers.

Netting Concept Must Be Fully Explained. In response to questions during the stakeholder meeting, CAISO indicated that it was considering some sort of netting arrangement where LSEs with load in one zone and RA resources in another could somehow net those obligations to avoid over-procurement. However, CAISO offered few details as to how that program might work. It is possible that some zones will

have more desirable resources than others, and NCPA fears that netting can only be a successful concept if there are desirable RA resources in all zones. Given the likelihood that new renewables will be built in specific areas (such as the desert for new solar), an equitable distribution of desirable resources may not be the case. The CAISO must provide substantially more information about its netting concept.

4. Allocating RA Requirements to LRAs/LSEs

No comments at this time.

5. Updating ISO Tariff Language to be More Generic

No comments at this time.

6. Reliability Assessment

NCPA continues to oppose CAISO infringement on the jurisdictional authority of LRAs to determine the planning reserve margins and the resource counting methodologies for their jurisdictional LSEs. The current program has worked well, and CAISO has offered no evidence of a need for change. With that continuing objection noted, NCPA has the following comments on CAISO's proposed approach to uniform PRM and uniform counting criteria.

a. Planning Reserve Margin

NCPA supports use of a deterministic approach for developing the planning reserve margin. NCPA does not support use of a probabilistic approach at this time. As CAISO describes in its revised straw proposal, a probabilistic approach relies heavily on the use of random variables and assumptions (each of which may have a material impact on the output of the analysis). As is the case with any modeling exercise, the output of the model is only as good as the assumptions that are input into the model, and NCPA fears that a probabilistic approach will make the search for the perfect the enemy of the good. The probabilistic model appears to substantially increase complexity and potential expense, with no guarantee of improved outcomes. The existing resource adequacy program, which is based on a deterministic type approach, has worked very well for many years. Especially in light of the CAISO's intent "to only change those tariff provisions that require modification to make RA work in the context of an expanded BAA," CAISO has presented no compelling evidence to justify why a more complex, less transparent process would be more appropriate than the existing approach that has worked well. The goal should be to keep the methodologies as simple as possible, consistent with acceptable outcomes.

b. Uniform Counting Methodologies

In the current resource adequacy reporting process LSEs are required to submit a filing to the CAISO that lists the resources each LSE is claiming as resource adequacy capacity. The current resource adequacy demonstration template includes multiple tabs that are used to identify different types of resources that are proposed to be used by the LSE to satisfy its requirement. For example, there is a tab marked 'Resources', in which resources associated with a specific Resource ID are accounted for. There is also a tab marked as 'Other' in which several other, less common, resource types used for compliance are listed. The uniform counting methodologies discussed in the revised straw proposal are associated with those resource types that would generally be identified in the 'Resources' tab of the demonstration template. As part of its proposal, is the CAISO contemplating retaining the ability for LSEs to claim capacity from less common resources types that have usually been listed under the 'Other' tab of the resource adequacy demonstration template? For example, many of the demand response programs that are used by LSEs for resource adequacy compliance are reported in the 'Other' tab. NCPA supports retaining flexibility for LSEs to claim capacity from less common resource types, as has generally been accomplished through the use of the 'Other' tab in the current reporting process.

c. Backstop Procurement Authority

No comment at this time.

7. Other

NCPA is concerned about CAISO's proposed timing for implementing the outcome of this stakeholder initiative, especially if it should happen that no new PTO chooses to join CAISO at this time, or if the timetable is significantly delayed. The current resource adequacy program has been very effective, and has resulted in enhanced reliability for California ratepayers. The obvious catalyst for this stakeholder initiative is the potential integration of PacifiCorp into the CAISO BAA. Other than evaluating what changes to the resource adequacy program may be needed, if any, to enable the expansion of the CAISO BAA, NCPA is unaware of any other compelling reason for modifying CAISO's existing resource adequacy program. Therefore, NCPA strongly believes that the program modifications contemplated in CAISO's regional resource adequacy initiative should only be implemented only if, and when, PacifiCorp formally joins the CAISO BAA. Appropriate provisions need to be factored into this initiative, or the implementation schedule associated with the outcome of this initiative, that clearly state that the resulting changes will only be implemented in the event that PacifiCorp does, in fact, joins the CAISO. Otherwise, the current resource adequacy program is working well and should not be modified.