

## 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 Third Revised Straw Proposal for the Regional Resource Adequacy initiative that was posted on September 29, 2016. Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **October 27, 2016**.

Please provide feedback on the Regional RA Third Revised Straw Proposal below.

The ISO is especially interested in receiving feedback that indicates if your organization supports particular aspects of the proposal. Alternatively, if your organization does not support particular aspects of the proposal, please indicate why your organization does not support those aspects.

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Thank you for the opportunity to comment on ISO staff's proposals on Regional Resource Adequacy market rules. Public Power Council, Northwest Requirements Utilities, and Western Public Agencies Group represent consumer-owned electric utilities in the Pacific Northwest that are preference power customers of the Bonneville Power Administration (BPA). Many of BPA's preference customers are located within PacifiCorp's balancing authority area both east and west of the Cascades. Our common interest is in preserving the ability of BPA's preference customers to receive reliable power service from BPA and to continue to realize the value of their power purchases.

Our comments are presented in the order in which they arise in the 3<sup>rd</sup> Revised Straw Proposal regarding Regional Resource Adequacy (3<sup>rd</sup> Revised Straw Proposal). To the extent we do not comment on portions of the proposal, we reserve the right to do so in the future.

**Section 5.2.1 System-Wide Planning Reserve Margin Target – Single Target and Role of the Proposed Western States Committee**

The ISO proposes to “conduct a reliability assessment similar to current practice, with some additional modifications including use of a default system wide Planning Reserve Margin (“PRM”) target and ISO determined resource capacity valuations using proposed uniform counting rules.” 3<sup>rd</sup> Revised Straw Proposal, p. 3. The ISO notes that it has “proposed [the] creation of a [Western States Committee] which would have authority over certain aspects of resource adequacy and TAC cost allocation issues. The ISO envisions the WSC playing a core role in determining the PRM.” *Id.* at p. 19.

This is a significant change from the previous proposal that would have given Local Regulatory Authorities (LRAs) authority to determine reliability requirements in their local areas. We disagree with this change and request that the ISO reinstate an express ability for LRAs to choose an appropriate reliability and reserve level for their areas consistent with NERC and WECC standards. Even if the ISO determines that it will institute a single, system-wide standard, that standard should not exceed the NERC and WECC standards. These standards should be all that is required to maintain system reliability. ISO casts the need for a single system standard as the prevention of leaning on other areas’ resources. *Id.* at p. 17. Leaning, however, is a commercial consideration and the focus in this instance should be wholly on reliability. We do not agree that creation of additional market liquidity is properly part of a reliability assessment.

We agree with the ISO’s statement that “states should have significant input into establishing a system wide PRM.” *Id.* at p. 17. To effectuate this, this ISO proposes a role for the Western States Committee (WSC). As noted above, the ISO proposes a “core role for the WSC in determining the PRM.” We look forward the ISO’s issue paper on the topic and learning how the ISO intends to create the means for that significant input. We respectfully request that the upcoming paper provide answers and clarifications responding to the following questions:

- What “level” of authority will be given to the WSC proposals and opinions? Will that authority be respected and acted by the ISO Board as well as ISO staff?
- Will the WSC’s role in the process be limited to implementing the methodology and counting rules specified by the ISO proposal or will it be able to make or propose changes to those?
- Will the “default” PRM proposal be the starting point for discussions of a state-led PRM and when would that process begin?
- How will the WSC and ISO staff interact on the issues that remain and will arise regarding the PRM? What process would be used and what will be the ability of stakeholders to suggest modifications to the WSC directly?

Answers to these questions will assist stakeholders to determine the value of the proposal to give the WSC a meaningful role in the PRM process.

**Section 5.3 Maximum Import Capability – Allocation and Pre-RA Commitment Cut-Off Date**

We continue to object to the application of the current MIC methodology and tariff provisions to new balancing authority areas in the ISO footprint. The current MIC allocation process, with the proposed modifications, does not support or acknowledge the transmission capacity rights that support existing long-term power contracts needed to serve loads within PacifiCorp’s territory. As a result, application of the current process will not allocate sufficient import capability to LSEs to meet their loads’ needs with

existing resources. This will force LSEs to purchase additional, and likely costly power, from providers within the ISO footprint, most likely PacifiCorp, which already has been found to have market power in the area. Overall, the ISO proposal does not produce a just and reasonable result for LSEs in PacifiCorp's system.

The LSEs inside PacifiCorp's system are dependent on imports to meet their loads and many sit behind transmission constraints in the PacifiCorp system. BPA and these LSEs have invested in long-term power contracts with BPA and long-term transmission service to provide reliable load service. Their situation differs in large respects, therefore, from the situation for which the recent resource adequacy rules were developed: a situation in which there were few if any existing contracts and none outside the state of California.

Application of the current MIC allocation rules, with the proposed modifications, would likely deprive these LSEs of a significant part of the value of their investments. One example of this can be seen in regard to BPA service to certain LSEs in PACE. In order to deliver power to its LSEs in one area of PacifiCorp's system, BPA has transmission rights at its only direct interconnection with PACE that can be used to deliver power to these LSEs. It also has purchased transmission rights across Idaho Power Company's transmission system to reach two additional interconnections with PACE and transmission rights from PacifiCorp to deliver purchased energy from LADWP. BPA has rights across PacifiCorp's system on specific PacifiCorp transmission paths. All of these transmission rights are required at these specific points to match external transmission rights to the PACE interchange points and to deliver power reliably to loads.

The application of the MIC allocation process would result in PacifiCorp and BPA sharing transmission capability at these points of interconnection and on these paths according to a metric other than the current transmission rights purchased by the respective parties. It would be allocated based on the sub-region's load-ratio share, whether MIC is allocated to competing Pre-RA Commitments or a residual MIC allocation. To illustrate, let's assume that BPA has 56 MW of the available 90 MW of transmission across the AMPS line (BPA.NWMT to Goshen) and needs all of that capability to serve its local loads. Assume also that PacifiCorp claims, as it has in the past, that it has commitments for all 90 MW. If both claim these amounts as Pre-RA Commitments, we would expect PacifiCorp to be allocated 81 MW and BPA 19 MW in the MIC process.

Unfortunately, the ISO provides no analysis to demonstrate how BPA and its LSEs in PacifiCorp's system would or would not be deprived of their current transmission capability. The ISO did provide a deliverability analysis, however, to demonstrate the application of the current MIC methodology to PacifiCorp's needs. 2<sup>nd</sup> Revised Straw Proposal p. 19-23. This analysis strongly indicates that LSEs would be left short. In the case of the import capability at NWMT.BPA, the analysis indicates that there would be 5 MW of MIC. *Id.* at p. 20. The results indicate that there would be no available MIC on many paths after PacifiCorp's needs are met. The analysis did not consider the contractual rights or current commitments of non-PacifiCorp load.

We recognize that the analysis done for the 2nd Revised Straw Proposal is illustrative given limitations in the data. It is indicative, however, of the damage likely to be done to load service rights and assets of the LSEs. One solution to this problem, and probably the simplest one, is to simply acknowledge and continue to honor existing transmission rights as ETCs and accommodate those rights at the front end of the MIC allocation process. In that case, The ISO would probably not have to make any major changes to its tariff and business practices to integrate LSEs in PacifiCorp's system. Simply relying on the use of

Pre-RA Commitments, on the other hand, is not a sufficient protection for non-PacifiCorp LSEs, as demonstrated above.

We also understand that the ISO proposes to accept PacifiCorp's proposal to abrogate all of its current OATT contracts. We strongly urge the ISO to consider that it cannot simply accept involuntary abrogation of contracts when the failure to recognize ETCs causes the operation of the ISO tariff to produce an unjust and unreasonable result. Abrogation of the contracts also means that the ISO cannot simply decide to monitor the situation and make adjustments later. By that time the existing contracts would be extinguished and resort to those rights would be unavailable.

In regard to the ISO's proposed process to set a Pre-RA Commitment date, we agree that the

cut-off date discussion should set the Pre-RA Commitment cut-off date for all entities in a potential new PTO system that joins the ISO. This process should set the cut-off date at a date prior to the related RA process for the upcoming year in which a new PTO planned to join the ISO balancing area.

3<sup>rd</sup> Revised Straw Proposal at p. 29. Each new PTO should have a separate cut-off date that corresponds to its date of entry. An LSE should not have to, and cannot reasonably, guess whether its transmission service provider might join the ISO as a PTO and should be free to make its power supply and transmission service arrangements to meet the status quo. We strongly suggest, however, that the cut-off date should be as close as possible to the date on which the first applicable RRA process begins, preferably the day before. Each LSE should have the opportunity to ensure that it can meet requirements with its current power supply arrangements and make adjustments to the extent that it wishes to use other available resources.

## Conclusion

Thank you for the opportunity to comment and your consideration of our concerns and objections. We urge you to contact us if you have any questions or would like clarification. Preservation of current power supply and transmission service arrangements is an very high priority as the failure to have these acknowledged and made fully usable will create significant new costs for BPA and its customers.

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