

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative – Working Group, July 21, 2016

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on Working Group for the Regional Resource Adequacy initiative that was held on July 21, 2016 and covered the topics of Maximum Import Capability, Imports for RA issues, and Uniform Counting Rules. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **July 29, 2016**.

Southern California Edison (SCE) appreciates the opportunity to comment on the CAISO's Regional Resource Adequacy Initiative. SCE continues to support the objective of development of efficient wholesale markets for the delivery of electricity and transmission. Properly designed and implemented, regional markets promise to reduce costs for customers, better utilize existing assets, allow for more efficient development of new infrastructure, and reduce costs of renewable energy integration.

Important details for a successful expansion, such as transmission access charges and GHG treatment, require additional definition and resolution since, for expansion to succeed, all issues must work in a cohesive manner. The comments below focus specifically on the questions asked by the CAISO in the response template.

Please provide feedback on the July 21 Regional RA Working Group:

1. Maximum Import Capability (MIC) calculation methodology proposal
 - a. Do you support the ISO's proposal to modify the methodology for calculating the MIC values in an expanded BAA for use in limited circumstances to reflect situations where a PTO that joins the ISO has a need to serve its peak load that occurs non-simultaneously with the rest of the system and when there are no simultaneous constraints between certain areas of an expanded ISO BAA? If not, why not?

SCE supports the CAISO's proposal to modify the methodology for calculating the MIC to allow for seasonal considerations in an expanded BAA where some PTOs are summer peaking and some PTOs are winter peaking.

SCE has concerns with the historical calculation of MIC using historical imports as it will not be a good indicator of the import feasibility in the future because in California, and elsewhere, solar fleets are increasing which will cause recorded imports to decline during the daytime hours. A study to measure resource availability and import capability will be an improvement over recorded measurement. While the existing mechanism may work now, the CAISO should continue to monitor the validity of the current methodology.

- b. Do you support a transition period or transitional mechanism for this MIC calculation proposal?

SCE does not believe that a transition period or transitional mechanism is required although the CAISO should reinvestigate this policy in future years each time a new PTO joins the ISO. The CAISO should also monitor peak load conditions to assess whether or not peak loads begin to occur simultaneously post-PTOs joining the ISO.

- c. Please provide any further details or positions on the ISO's proposal to modify the methodology for calculating the MIC values in an expanded BAA.

SCE does not have comments at this time.

2. MIC allocation methodology proposal

- a. Do you support the ISO's proposal to modify the methodology for allocating the MIC to LSEs in an expanded BAA, in order to limit initial allocations of MIC capability to particular sub-regions of ISO that would be defined by the Regional TAC Options sub-regions? If not, why not?

SCE supports the concept to allocate MIC to load serving entities in the TAC sub-regions because under the regional TAC proposal the existing transmission costs remain in the sub-region. (This is with the understanding that parties outside the sub-region with existing import contracts will be allocated a portion of MIC for the remainder of the contract.) Any new transmission assets would be subject to regional cost allocation, therefore any MIC associated with those assets should be allocated across the regional. However, the determination of the TAC sub-regions has not been defined. In the Regional TAC initiative, the current proposal allows every new participating transmission owner to be their own sub-region. With this narrow sub-region definition, it would grant MIC rights to one entity which would essentially have market power over import rights and could extract unacceptable rents from others that want to use the transmission system to import power. SCE supports a much wider

geographic sub-region which would contain multiple participants which would receive an allocation.¹

This proposal does present a new question about how to resolve market power issue if only one entity is granted MIC allocation.

- b. Do you agree that splitting of the initial MIC allocations among sub-regions, combined with the ability to bilaterally transfer MIC between the Regional TAC Options sub-regions and the final Step 13 ability to nominate any remaining MIC anywhere in the footprint will properly balance MIC allocation method needs for an expanded BAA? If not, why not?

Keeping in mind SCE's answer to the previous question 2(a) regarding sub-regions and Regional TAC, SCE does support the CAISO's proposal to modify Step 13 to allow LSEs to nominate remaining MIC anywhere in the footprint.

- c. Do you support a transition period or transitional mechanism for this MIC allocation proposal?

SCE does not believe that a transition period or transitional mechanism is required. CAISO should monitor this policy post new PTOs joining the ISO to ensure that this allocation method continues to be fit-for-purpose in future years.

- d. Please provide any further details or positions on the ISO's proposal to modify the methodology for allocating MIC in an expanded BAA.

SCE does not have comments at this time.

3. Substitution of internal Resource Adequacy resources with external resources

- a. Do you support the ISO's proposal to allow external resources to substitute for internal RA resources experiencing outage requiring substitution?

SCE supports the ISO's proposal to allow external resources to substitute for internal RA resources.

- b. Do you believe that one of the conditions of allowing external resource to substitute for internal RA resources should be that the external resource has similar operating characteristics of the outage resource? If so, how would the ISO determine the external resource substitute has similar characteristics?

SCE supports substitution rules utilizing a "similar operating characteristics" condition, however, SCE would like for the CAISO to provide information to market participants that would give sufficient guidance on what resource substitutions will be

¹ Please see SCE's [comments on the Regional Transmission Access](#) charge proposal submitted on June 10, 2016. This still does not solve entirely the market power problem because in the early period of expansion a geographic sub-region may have only one participant.

acceptable or unacceptable. A good example of this is local RA in which the CAISO issues effectiveness factors which enable LSEs to reasonably assess whether their portfolio of resources will be sufficient to meet the local obligation. Conversely, a vague standard of “similar operating characteristics” leaves insufficient information for a market participant to reasonably assess whether the CAISO operational personnel will accept a specific substitution prior to procurement.

- c. Please provide any further details or positions on substitution of internal Resource Adequacy (RA) resources with external resources.

SCE suggests that CAISO implement something similar to the Local Capacity Area Resource Substitution Pre-Qualification (40.9.4.2.1)(c)(1) that occurs as part of year-ahead planning that will pre-determine by clearly defining and codifying “similar operating characteristics”.

4. Import resources that qualify for Resource Adequacy

SCE will provide more detailed response to these questions at a later date.

- a. Do you agree that the rules for import resources qualifying for RA should be clarified in order to remove ambiguity from the Tariff?

Yes.

- b. Do you believe that there should be a role for bilateral spot market energy purchases or short-term firm market energy purchases procured outside of the ISO BAA to qualify for RA meet a portion of an LSE’s requirements? If so, why? If not, why not?
 - i. If you believe that some types of energy-only transactions should qualify for RA purposes, should there be a limit or cap on the volume that individual LSEs could utilize those resources for RA purposes?
 - ii. How could the ISO actually analyze the reliability that would be provided with various levels of these energy transactions being used to meet RA requirements?
- c. Please provide any further details or positions on import resources qualifying for RA purposes.

5. Uniform counting rules proposal

In addition to outlining the uniform counting rules, CAISO must outline how it will resolve discrepancies between a local regulatory agency’s (LRA) counting rules and the CAISO’s counting rules. If an LRA’s resource counting rules would have resulted in the system having enough capacity to reliably operate, but the CAISO’s uniform counting rules show that there is a system deficiency that needs to be cured, what course of action will CAISO take?

- a. Do you agree with the ISOs proposal to use the Pmax methodology for most thermal resources and participating hydro? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?

SCE does not have any issue with using the Pmax methodology for most thermal resources and participating hydro. This methodology has been successfully used in CA and seems reasonable to use as for CAISO expansion.

- b. Do you agree with the ISOs proposal to use ELCC to establish the capacity values for wind and solar resources? If not, please specify why not. Are there elements that require additional detail prior to a policy filing?

SCE believes the exceedance methodology, in its current form, does not provide a long term, stable definition for wind and solar capacity values. Furthermore, there are multiple benefits to using effective load carrying capacity (ELCC). However, ELCC does have many implementation risks (discussed below in response to question C) that may result in another methodology, or simplified ELCC calculation, to be preferred. SCE requests that CAISO consider simplified ELCC methodologies or other capacity valuations that other parties may propose. For example, SCE proposed a net load peak based ELCC for discussion in the California Public Utilities Commission's Resource Adequacy Proceeding.

One significant issue that has not yet been addressed is the need for monthly capacity values. Traditional ELCC, which is linked to loss of load expectation analysis, concludes with an annual capacity value that cannot be broken out into 12 monthly capacity values. A methodology for capacity accounting should not be implemented until it is understood how it will fit within the needs of the monthly RA program.

- c. Are there any element of an ELCC methodology that must be established prior to the ISOs policy filing?

SCE requests that CAISO perform and publish the results of an ELCC study (or any proposed wind and solar capacity valuation methodology) before establishing ELCC as the uniform counting methodology for wind and solar resources. ELCC studies, depending on how they are performed, could require a significant investment in time, resources, and proprietary tools. Furthermore, ELCC studies that require significant effort could ultimately conclude with results that cannot be implemented, and cannot be reviewed by other parties due to proprietary tools or confidential input assumptions. In addition, similar results could potentially be obtained using much simpler means. Rather than decide on ELCC as the methodology now and figuring out what it results in later, SCE believes the CAISO should explore different options for wind and solar accounting, perform analysis and publish results. After a comparison of options the strength and weaknesses can be reviewed before deciding upon a counting method.

- d. Do you agree with the ISOs proposal to use the historical methodology for run-of-the-river hydro, and Qualifying Facilities including Combined Heat and Power? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?

The historical methodology outlined by CAISO has worked in California and should provide a good starting point for regional expansion. However, as high demand conditions become less correlated to when RA capacity is needed the most for system reliability, this methodology will face the same issues that wind and solar capacity

valuations do with the exceedance methodology. The historical methodology may need to start looking at both load peak and net load peak hours going forward.

- e. Do you agree with the ISOs proposal to use the registered capacity value methodology for load based capacity products such as PDR, RDRR, and Participating Load? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?

SCE does not oppose use of the registered capacity value methodology, coupled with appropriate testing and audits; however there are several policy and implementation concerns. The CAISO should continue to coordinate with local regulatory authorities (e.g. CPUC) to ensure that there are consistent counting rules and performance requirements for PDR, RDRR and Participating Load, as to avoid conflicting rules or potential for double procurement or double penalties. SCE is also concerned about double-penalties: in the CAISO proposal, if a resource does not perform, it would be assessed penalties (e.g. RAAIM) or it has to provide replacement capacity, and additionally, it would receive a lower NQC for the next year, This “historical” approach to determining future NQC is the same reason why the CAISO didn’t apply RAAIM to Solar and Wind resources, since their under-performance in one year, results in reduced NQC going forward, without any additional penalties.

On the implementation side, any testing should consider resource capabilities and attributes. For example, weather sensitive Demand Response should be tested / audited on a hot (peak) day, which is when a system resource is needed the most, and what demand response was designed to support. Furthermore, the CAISO should continue the current efforts to improve the baseline methodologies to better calculate demand response resource performance.

- f. Do you agree with the ISOs proposal to use the registered capacity value methodology for Non-Generator Resources (NGR) and pumped hydro? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?

SCE does not have comments at this time.

- g. Are there any additional uniform counting rules that should be developed prior to the ISOs policy filing?

SCE does not have comments at this time.