

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative – Working Group, July 20, 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**.

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?

SDG&E does not support the ISO's methodology of using historic net imports for calculating the MIC values in both the existing BAA as well as the expanded BAA. Rather, SDG&E believes the MIC values should be calculated based on a forward looking methodology. As was noted during the workshop, the historical based methodology creates a spiraling affect over time. California is exporting more energy due to the growth of renewable generation, this in turn decreases the imports that will be available for calculating MIC values in the future. As less MIC values are available, less imports may be scheduled over time. This then lowers the MIC values in the following years.

The ISO also noted that it plans to allocate the MIC based on TAC allocation cost mechanism as proposed in the regional TAC initiative. SDG&E is very concerned that using historic values would not provide transparency to this process. Market participants

would not be able to validate the ISO's derived MIC values. SDG&E strongly recommends the ISO to adopt a forward looking MIC methodology. If the ISO believes the forward looking MIC study is ultimately correct but timing of this initiative does not allow for the completion, SDG&E requests a date certain on when ISO will start that initiative.

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

SDG&E would like ISO to provide more detail on what a transitional mechanism would look like for the MIC calculation. It is unclear if the ISO proposes to transition from simultaneous to non-simultaneous or non-simultaneous to simultaneous.

- 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.

The ISO is changing both the MIC value methodology and the allocation methodology. SDG&E believes the ISO is already proposing to make extensive changes to the MIC process. However, the proposed changes do not improve any market efficiencies or the MIC process overall. SDG&E recommends the ISO to further consider the proposal laid out by SDG&E in its previous comments.

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?

SDG&E does not support the ISO's proposal to allocate the MIC based on sub-regions. Existing transmission lines are sunk costs to the PTOs. Usage of existing transmission infrastructure is beneficial to all LSEs and the MIC should be equally allocated to all LSEs regardless of original investment. The ISO notes that as LSEs pay for upgrades, then those LSEs will receive a new share of the MIC value. SDG&E believes this methodology will be too complex and non-transparent. It will be too confusing to track blue chips versus red chips and where LSEs may spend the blue or red chips. Will the chips be allowed to combine for a location that would allow for both blue and red chips and whether a different load ratio share would be used for the color that is not native to the LSE? If the question cannot be understood the first time around, it goes to show that the proposed allocation methodology is too complex.

The methodologies, both allocation and MIC calculation, do not give any market participant any certainty of the ability to count on imports to meet future RA needs.

- 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?

SDG&E does not support the ISO proposal. SDG&E believes that step 13 is the most uncoordinated, non-transparent and inefficient step of the MIC allocation process. Forcing market participants to wait until the step 13 free for all to obtain only the remaining MIC that are left over at certain branch groups is inefficient. SDG&E uses the word “certain” because branch groups where MIC has been fully allocated are not part of Step 13. Instead, market participants are required to procure the MIC bilaterally by calling other market participants individually. The ISO then publishes the bilateral transactions on the ISO’s reliability requirements webpage. The publishing of data is also irregular in such that the buyer and seller names are included for each transaction rather than being anonymized for the energy market. SDG&E recommends the ISO to revisit the publishing of the transactional data.

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

It is unclear to SDG&E what the ISO has proposed for a transition mechanism.

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

SDG&E disagrees that a comprehensive MIC redesign could take over one year to complete. SDG&E believes the redesigned process could be complete within the regional RA framework for process, considering the ISO is redesigning the allocation process. A stakeholder process for the MIC value methodology study could take place prior to a BAA joining the ISO. This study could take place at the same time as the ISO runs the study for PRM or even ELCC. If the ISO were to adopt this approach, SDG&E would support a transition mechanism if the MIC value study were not ready.

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?

SDG&E supports allowing imports to substitute for internal RA resources on forced outages. SDG&E believes a greater conversation should be had regarding pseudo-tie and dynamically scheduled resources. Would reclassifying such resources as internal resources allow the ISO to take a measured approach to allowing all import RA to substitute for internal resources?

However, SDG&E is concerned with the ability of an external resource to substitute for a Local resource shown as System, partially or in full, as currently proposed within the ISO’s Reliability Services Initiative Phase 2. SDG&E is concerned that if Local resources, shown as System, were to have their bids substituted from non-Local resources, then the ISO may exceptionally dispatch or CPM additional Local resources to cover the shortfall.

- 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?

No. The NQC of a resource should already take into consideration the amount of dependable capacity a resource provides. Aside from location, a resource should not need to have similar operating characteristics of the outage resource in order to avoid RAAIM penalties.

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

If the ISO is concerned with SCs that bid into the ISO markets but ultimately do not deliver the energy when called, SDG&E believes DMM has oversight to penalize those market participants.

4. Import resources that qualify for Resource Adequacy

- 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. Currently, it is unclear whether an SC for the LSE or the resource must have MIC in order to count RA towards the LSE for the showings. It is also unclear why pseudo-tie or dynamically scheduled resources are considered imports rather than internal resources.

- 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?

Yes, the ISO should continue to allow bilateral spot market energy purchases to qualify for RA to meet an LSE's requirements. Removing this ability will cause LSEs to unnecessarily procure import energy contracts for the year-ahead showing.

- 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

- 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?

SDG&E believes the ISO could consider using temperature adjusted PMAX tests for the monthly NQC values of thermal resources.

- 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?

SDG&E appreciates the ISO moving forward with the ELCC methodology. SDG&E requests the ISO to establish a date certain on when it will start the ELCC study or

initiative process prior to presenting to Board of Governors for approval. SDG&E also requests the ISO to include the following elements to its ELCC methodology for Board approval.

1. Location specific (ie. San Diego, LA Basin, Bay Area, etc)
2. Technology specific (Solar Tracking, Solar Thermal, Wind tower size)
3. Monthly values to conform with the monthly RA paradigm
4. Activation date of methodology regardless of when another BAA joins the ISO
5. Removal of RAAIM exemption from generic RA availability due to NQC being established based on ELCC rather than historic values.

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

Please see above response

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?

SDG&E believes the ISO should consider other methodologies such as ELCC. Historic NQC methodology requires estimation for when a resource is on outage. This becomes increasingly difficult as the resource has the same annual outage schedules. ELCC may alleviate that issue. Also, moving away from a historic based methodology would also allow RAAIM to be assessed for these resources.

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?

SDG&E believes the ISO should review how PDRs and RDRR must bid into the ISO's markets. The MOO for conventional generation is static for all hours of the day. PDRs and RDRRs may not fit that mold because these resources are load curtailing rather than generation. SDG&E recommends the ISO to consider using a forecast approach for PDR and RDRR similar to that of VERs. The ISO can choose to develop a forecast methodology for PDR and RDRRs or allow the SC to provide its own. This would allow these resources to meet the MOO while not being able to meet the RA amount due to program design. In the current stage, PDR and RDRR are not able to put in partial outages into the ISO's webOMS.

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?

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

SDG&E recommends the ISO to consider establishing a NQC methodology for certain QFs and CHP resources which are contractually obligated to bid into the ISO market rather than self-scheduled. Using a historical based methodology for these contracted resources may, over time, decrease the NQC if these resources are not awarded by the ISO markets and therefore have no historical output.