

## 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](mailto: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

Six Cities’ Comments: The Six Cities continue to support CAISO’s proposal to develop load forecasts for purposes of resource adequacy assessment based on load forecasts initially developed by participating LSEs and/or Local Regulatory Authorities, subject to review and potential adjustment for consistency and reasonableness (Revised Straw Proposal at 12 - 18).

#### 2. Maximum Import Capability

Six Cities’ Comments: The Six Cities generally support CAISO’s proposal to apply the currently effective methodology for determining and allocating MIC at Scheduling Points between the outer boundaries of the expanded CAISO BAA and external BAAs, other than adjusting for circumstances where there are no simultaneous constraints (Revised Straw Proposal at 24 - 26). The Six Cities specifically support the principle that pre-RA commitments should be protected in the MIC allocation process. The Six Cities comment below on CAISO’s proposal to address constraints at interties that become internal to the expanded BAA through a Zonal RA construct.

### 3. Internal RA Transfer Capability Constraints

Six Cities' Comments: The Revised Straw Proposal at 26 – 29 recommends adoption of zonal RA requirements to ensure that transfer constraints internal to the expanded BAA do not undermine CAISO's ability to rely on RA resources. The discussion during the stakeholder meeting on April 21, 2016 identified a number of significant questions regarding the Zonal RA concept, including:

- How netting of RA resources across internal constraints and allocation of related benefits will work,
- How requirements for Flexible RA will be distributed among the RA Zones,
- How Zonal RA requirements will affect MIC and the allocation of MIC, and
- How Zonal RA requirements will affect potential implementation of backstop procurement.

Information regarding these fundamental elements is necessary to support even a preliminary analysis of the likely impacts of the Zonal RA construct. Consequently, the Six Cities are unable to express any substantive position at this time regarding CAISO's proposal for Zonal RA requirements. The Six Cities agree with the suggestion expressed by PG&E's representative at the April 21<sup>st</sup> meeting that CAISO establish a stakeholder working group process to consider and refine the Zonal RA concept.

In addition, the Six Cities note that analyses of the potential benefits of regionalization pursuant to SB 350 must be aligned with the Zonal RA approach if that is how RA requirements are established for the expanded BAA. The results of regionalization benefits analyses will be distorted or misleading if they do not reflect accurately the RA requirements CAISO expects to apply in recognition of internal transmission constraints.

### 4. Allocating RA Requirements to LRAs/LSEs

Six Cities' Comments: The Six Cities have no comments at this time on CAISO's proposed process for allocating RA requirements to LRAs or LSEs as discussed at page 29 of the Revised Straw Proposal. However, the determination and quantification of RA requirements allocated among LRAs and LSEs must be based on consistent rules applied throughout the expanded BAA.

### 5. Updating ISO Tariff Language to be More Generic

Six Cities' Comments: The Six Cities have no comments at this time on this aspect of the Revised Straw Proposal but will review and potentially comment on specific

proposed changes to tariff provisions when proposed tariff language becomes available.

## 6. Reliability Assessment

### a. Planning Reserve Margin

Six Cities' Comments: The Six Cities agree that CAISO must develop a system PRM for the purpose of conducting reliability assessments and, if a Zonal RA approach is adopted, determine zonal PRMs for the purpose of establishing Zonal RA requirements. As a preliminary matter, the Six Cities recommend further detailed consideration of a probabilistic method (*e.g.*, LOLE) for determining PRM. The discussion at page 31 of the Revised Straw Proposal suggests that a probabilistic approach is likely to produce more accurate and equitable results than a deterministic approach. Although the Revised Straw Proposal expresses concern that a probabilistic method will require assembly of substantial data, it appears that most, if not all, of the required data, as described at page 33 of the Revised Straw Proposal, will be developed and/or collected anyway for other purposes, such as transmission planning or resource availability assessment.

### b. Uniform Counting Methodologies

Six Cities' Comments: The Six Cities agree with CAISO's position that resource counting rules must be consistent for purposes of reliability assessment (Revised Straw Proposal at 35) and that the counting methodologies for reliability assessment purposes must be consistent with the methodology used to establish PRMs (*see* the matrix of stakeholder comments and CAISO responses at 51).

### c. Backstop Procurement Authority

Six Cities' Comments: The Six Cities support CAISO's proposal to establish backstop procurement authority and procedures to address aggregate deficiencies in resources required to maintain reliability and to allocate costs for backstop procurement to LSEs that fail to procure their allocated shares of RA proportionate to their shortfall in assigned RA requirements (Revised Straw Proposal at 48 - 49). However, as noted above, if a Zonal RA construct is adopted, there must be further analysis and explanation with respect to how CAISO's backstop authority would be applied in the context of Zonal RA requirements.

## 7. Other

Six Cities' Comments: The Six Cities offer the following comments on additional topics - -

- Consistent application of RA requirements, must-offer obligations, and RAAIM - - The Six Cities agree with CAISO's conclusion that currently effective elements of the RA program not discussed in detail in the Revised Straw Proposal (such as must-offer obligations, criteria for Flexible RA categories, and RAAIM provisions) can and should be applied in an expanded BAA "as is" (Revised Straw Proposal at 9). The Six Cities appreciate CAISO's confirmation at pages 30, 76, and 85 of the matrix of stakeholder comments/CAISO responses that these aspects of the RA program will be applied consistently throughout the expanded BAA.
- Retention of the bilateral RA market framework - - The Six Cities appreciate CAISO's concurrence (matrix of stakeholder comments/CAISO responses at 75) that regionalization of CAISO's Day-Ahead and/or Real-Time markets does not require fundamental revision of the bilateral contracting framework for RA procurement or imposition of a centralized capacity market.
- No expansion of virtual bidding - - The Six Cities' March 16, 2016 comments on the Straw Proposal noted that in light of the potential for gaming and manipulation that may occur as a result of internal transfer capability constraints, the Six Cities strongly oppose any extension of virtual bidding opportunities and, in particular, oppose allowing submission of virtual bids at any locations affecting or affected by internal transfer capability constraints. The Revised Straw Proposal does not discuss if or how virtual bidding would be implemented in the expanded BAA, but the matrix of stakeholder comments/CAISO responses asserts at page 76 that the proposed Zonal RA concept "would ease these potential concerns." The Six Cities do not see how potential adoption of the Zonal RA concept addresses concerns relating to the effects of virtual bidding at locations affecting or affected by internal transfer capability constraints. The Zonal RA construct would address year-ahead and month-ahead capacity procurement within specified zones. Virtual bids, which generally are treated the same as energy bids, are placed in the Day-Ahead market at individual pricing nodes and are reversed in the FMM. There is no apparent connection between the Zonal RA forward capacity construct and virtual bidding in the Day-Ahead market, and the Six Cities' concerns about the potential for abuse if virtual bidding is extended throughout the expanded BAA have not been eased.
- Effectiveness of tariff revisions - - The Six Cities appreciate and concur with CAISO's view, expressed at pages 11 – 12 of the Revised Straw Proposal, that any revisions to the CAISO Tariff to facilitate regionalization should become

effective only if and when a new Participating Transmission Owner that cannot be accommodated under the existing Tariff provisions actually joins.

- Schedule for this initiative improved but still potentially too accelerated - - The Six Cities' March 16<sup>th</sup> comments on the Straw Proposal expressed the widely-shared view that CAISO's original proposed schedule for this initiative was too accelerated to support meaningful evaluation and thoughtful development of regional RA rules. In response to the schedule concerns raised by multiple stakeholders, CAISO has extended the schedule for this initiative by approximately two months and now targets the August Board meeting for consideration of the Regional RA proposal. While the Six Cities appreciate the additional time allowed under CAISO's revised schedule, many significant details remain undefined, including significant elements of the Zonal RA proposal. The two-month extension of the schedule is appreciated, but it still may not be sufficient to allow careful and thorough development of an appropriate regional RA framework.

As discussed in the Six Cities' March 16<sup>th</sup> comments, there is no legitimate reason to rush this stakeholder process. Changes to the CAISO tariff occur on an ongoing and nearly continual basis. In particular, tariff provisions relating to RA rules have changed substantially over the past three to five years to address evolution of the resource fleet and related operational impacts. There is no reason to expect that the tariff applicable to an expanded regional ISO will be any less dynamic. Indeed, with an expanded footprint and greater diversity of system conditions and available resources, it is more likely that tariff provisions may need to be modified even more frequently. New participants in the regional ISO and their state regulators will have the same opportunities to participate in stakeholder initiatives and to shape tariff revisions as CAISO stakeholders have had all along.

In light of the constantly evolving nature of the tariff, it makes no sense to rush to judgement with respect to a set of regional RA rules that then will be subject to the same evolutionary process. There is no reason why state regulatory review of PacifiCorp's participation in a regional ISO based on CAISO's markets cannot proceed in parallel with the stakeholder initiative to develop regional RA rules or any other stakeholder initiative relevant to regionalization of CAISO's markets. Such parallel processes would enable better informed and more careful development of the initial rules applicable to a regional ISO and would afford PacifiCorp's state regulators a more realistic overview of the dynamic nature of the tariff and the process by which it changes. Accordingly, CAISO should remain open to further extension of the schedule for this stakeholder process as necessary to enable thorough analysis and appropriate and balanced resolution of regional RA issues.