

SVP Comments On ISO Local Capacity Proposals in Resource Adequacy

Silicon Valley Power (SVP) is pleased to have the opportunity to provide comments to the CAISO on its (a) 06/23/05 Local Capacity Technical Analysis - Overview Of Study Report and Preliminary Results, (b) its 06/23/05 RAR Local Capacity Procurement Straw Proposal, and c) the material presented and discussed at the 06/29/05 stakeholder meeting. SVP's comments and questions are listed below, in no specific order.

- 1) SVP wonders how the recent request by senators and representatives of both parties from the New England states to reject ISO-New England's LICAP proposals could or should affect what is going on here in California. In California, we should ensure that whatever happens here does not likewise lead to higher costs to load-serving entities without corresponding benefits.
- 2) SVP and some other load serving entities in load pockets, in paying for transmission services from PG&E over substantial periods of time, have contributed towards the construction and maintenance of Northern California's transmission grid. It does not appear just that SVP and these other load serving entities should be saddled with potentially increased local capacity requirements under Resource Adequacy proposals due solely to their location on the grid, especially without the ability to spread resulting costs over a larger customer base. SVP and other load serving entities would then be penalized for the decisions of others who, under previous regulatory regimes, chose to sub-optimally operate certain generation resources instead of building the necessary transmission upgrades to alleviate congestion.
- 3) A theme that appears through the CAISO's white paper, presentation materials, and results of its technical analysis is the desire of the CAISO to control or have the authority to dispatch local capacity resources at any time of day or night. SVP, as a load-following municipal Metered Subsystem (MSS), is concerned with such broad statements. SVP believes that the MSS and the Metered Subsystem Aggregation (MSSA) agreements must be honored in all aspects of Resource Adequacy (RA), including the aspects of local capacity requirements.

SVP asks whether the CAISO contemplates any MSS/MSSA agreement changes, or further changes to the CAISO's November 2004 MSS/MRTU whitepaper, due to local capacity RA requirements. SVP expects that it, along with NCPA and other potential MSS entities, will be working closely with the CAISO to determine any aspects of local capacity RA requirements that may apply to MSSs/MSSAs.

- 4) The CAISO has utilized a summer peak analysis. The results of such an analysis should not be the basis of local capacity percentage requirements for all twelve months of the year. SVP believes that monthly peak loads will vary more

throughout the year than the availability of most generation will vary. SVP suggests that the CAISO consider establishing twelve monthly, or 24 monthly (one each month for both on-peak and off-peak) percentage requirements that would take into account lesser amounts of required local capacity when loads are less than the summer peak. This would allow for more flexible requirements - such as purchases/contracts that could be less than one year (i.e., to cover only the most crucial months), and where some smaller portion of resources would perhaps not need to be acquired/shown one year in advance.

- 5) During the June 29th meeting, a question was asked about which RA metric is more important: Local RA or renewable resource requirements? SVP thinks this is an important question. Can they be mutually exclusive?
- 6) It appears that using rather conservative study assumptions, such as one-in-ten year area peak load and certain contingency criteria, could be unnecessarily beyond what the WECC or NERC have in place. The use of such conservative criteria appears to have added 4,000 MW of additional required generation to the load pockets. Is this being overly conservative?
- 7) The CAISO, in its analysis - especially in certain sub-areas/pockets - appears to assume that all municipal and QF capacity is on-line, but only certain non-municipal and non-QF capacity is on-line. Why is this assumption made, and is it correct? Why not also consider other non-municipal/QF capacity is on-line as opposed to all municipal/QF capacity?
- 8) What amount of municipal generating capacity, and specifically which municipal generators, were modeled as “on-line”?
- 9) Regarding the San Jose sub-pocket in the Greater Bay Area, is the local capacity requirement that “90 MW of Gilroy Peaker generation plus QF and Muni generation is required” mean that 90 MW in total of Gilroy Peaker/QF/Muni generation is needed, or 90 MW of Gilroy Peaker generation in addition to another amount of QF/Muni generation is needed? In either case, how much Muni generation (in MW) is required? Also, is SVP considered to be in the San Jose sub-pocket? Who are the Munis in the San Jose sub-pocket?
- 10) If, in the San Jose pocket, the CAISO or some combination of load serving entities contracted for 90 MW or more of Gilroy Peaker and/or other nearby generation, would that reduce the amount of the remaining local capacity requirement in this pocket? Wouldn’t that also reduce the larger area (i.e. The Greater Bay Area) local requirement?
- 11) How does the CAISO assign/parcel to the sub-pockets (i.e. – the San Jose pocket) the portions of the 2006 LCR MW requirements and the one-in-ten-year peak load that are determined for the larger areas (i.e. – the Greater Bay Area)? Are those sub-pocket values available?

- 12) If there is a sub-pocket requirement, as well as an area requirement, which requirement governs with respect to the other?
- 13) Regarding the Greater Bay Area analysis, how much of the 835 MW of QF capacity is in the San Jose sub-pocket? Further, please describe and provide a breakdown of the 334 MW of municipal generation (by plant or resource ID and Muni owner) in the Greater Bay Area, and which, if any, are under RMR contracts.
- 14) Does the ISO, in its studies, assume that all energy-limited resources are on-line in all scenarios?
- 15) Demand response or similar load-reduction programs, especially those specified in existing agreements with the CAISO, should be able to be counted as able to meet local RA capacity requirements.
- 16) Regarding LARC contracts - whom would the CAISO charge for the costs incurred under the contracts, and how would those costs be apportioned? Also, wouldn't some LARC contracts, depending on the situation, merit being somewhat different than others - as opposed to a one-size-fits-all template?
- 17) How will the amounts of area or sub-pocket local capacity requirements be apportioned to load-serving entities?
- 18) SVP believes that there should be CAISO notice requirements associated with the CAISO's intended use of local RA capacity resources.
- 19) Lastly, regarding the Period 1 description on page 4 of the CAISO's Straw Proposal, should the "dispatch the designated RMR Units" be adjusted to read "dispatch the contracted-for RMR Units"? Also, of the three Period 2 proposals and options, the second proposal appears to be the most desirable.

Again, SVP appreciates the opportunity to comment on the CAISO's submitted information on local capacity in RA.