

SouthWestern Power Group Comments on Market Design Initiatives Catalog

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SouthWestern Power Group appreciates the opportunity to submit comments regarding the CAISO's Market Design Catalog Initiative stakeholder process. The SouthWestern Power Group is an independent developer of utility-scale generation and transmission in the Desert Southwest.

SouthWestern Power Group is developing a double-circuit 500 kV interstate transmission project between central New Mexico and Metro-Phoenix, known as SunZia. The purpose of the project is to deliver primarily renewable energy from NM and AZ to western markets (at the Palo Verde hub).

Recommendation to Include Multi-Year RA Import Allocation Process in Catalog

SouthWestern Power Group requests the ISO to add the development of a mechanism to support multi-year Resource Adequacy (RA) import tie capacity allocations to its Market Initiatives Catalog. Such an initiative would include a stakeholder process and CAISO staff input to determine a workable and efficient multi-year RA allocation mechanism. The process would likely need to address characteristics similar to those factoring into the long-term congestion revenue rights allocations, such as criteria for multi-year allocation and mechanisms to transfer allocations between parties over time (e.g., transfer of the allocation from one Load Serving Entity (LSE) to another given load migration).

Business Case for Inclusion of a Multi-Year RA Import Allocation

As part of the CAISO's stakeholder process in 2011, the CAISO developed an updated mechanism for determining the available RA import capability. The CAISO pursued increases in RA import capacities, noting that limitations in import allocations can result: "... in increased costs of procuring RA capacity and barriers to the timely development of external renewable resources due to the inability of these resources to provide RA capacity."¹

A significant barrier to contracting with resources outside of the ISO is artificially created by only performing the RA import allocations annually. Whereas resources outside the CAISO BAA may fulfill the CAISO's RA needs and – for example – RPS needs of an LSE more cost-effectively and provide better portfolio diversification, a one-year allocation is simply incompatible with the multi-year contracting practices of LSEs.

¹ DRAFT FINAL PROPOSAL, Deliverability of Resource Adequacy Capacity on Interties, May 5, 2011, p. 3.
(<http://www.caiso.com/Documents/DraftFinalProposal-DeliverabilityofResourceAdequacyCapacityonInterties.pdf>)

Development of a multi-year process akin to the 10-year CRR allocation would alleviate this barrier to cost-efficient selection of resources by the LSEs. SouthWestern Power Group does not expect this feature would pose an overly complex policy design challenge or a particularly expensive implementation process. The import allocation is not part of critical CAISO operational systems. It is performed periodically and seems easily expendable to multi-year outcomes. It is also not expected that the policy change would be particularly controversial. Finally, such a change would make business arrangements feasible that would make significant additional RA resources available to the CAISO, potentially freeing in-state resources to provide for the short-term flexibility needs of the CAISO going forward and thereby improve grid reliability.

SouthWestern Power Group appreciates the CAISO's consideration of this request. We would be pleased to answer any questions and to contribute to the design process once underway.