Stakeholder Comments Template

Maximum Import Capability Stabilization and Multi-year Allocation

Submitted by	Organization	Date Submitted
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Please provide your organization's overall position on the Maximum Import Capability and Multi-year Allocation second revised straw proposal:

☐ Support
☐ Support w/ caveats
☐ Oppose
☐ Oppose w/ caveats
☐ No position
☒ Does Not Oppose

Please provide your organization's comments on the following issues and questions.

Energy Division staff ("staff") appreciates the opportunity to comment on the MIC Stabilization and Multi-Year Allocation Second Revised Straw Proposal. For ease of reading, the main points and outstanding questions in our comments are underlined in the following discussion.

1. Maximum Import Capability Stabilization

As noted in our comments on the Revised Straw Proposal,[1] staff does not oppose CAISO's proposal to calculate MIC using an expanded five-year dataset. Staff believes this modification is an incremental improvement to the current process but agrees with a number of stakeholders who support exploring alternative ways of calculating MIC. We recognize CAISO's wariness of reducing deliverability to resources located in the CAISO Balancing Authority Area in order to increase deliverability at interties, and we acknowledge CAISO's assertion that "among concrete measures of availability, including actual RA usage, future CPUC IRP

[1] Comments of Energy Division Staff on the CAISO MIC Allocation and Multi-Year Stabilization Revised Straw Proposal at 2.

portfolios, and actual energy schedules, the highest value of MIC is established by continued use of actual energy schedules."[2] However, we do not believe CAISO has demonstrated that a longer-term solution that relies on physical capacity (at least in part) to calculate MIC while maintaining substantial internal capability is not possible. We support Southern California Edison's (SCE) proposal that CAISO focus the remainder of this stakeholder initiative on exploring viable alternatives.[3] Staff looks forward to continued discussion of improvements to the MIC calculation process, including discussion of certain analyses that we requested in earlier comments.[4]

2. Available Import Capability Multi-year Allocation Process

With certain caveats, staff supports CAISO's proposal to implement a modified version of "Alternative 2" from the Revised Straw Proposal. Staff believes the modified Alternative 2 is superior to Alternative 1 because the former ensures that a load serving entity (LSE) cannot "lock" MIC at a branch group in excess of the LSE's year ahead load ratio share. Staff also believes the modified Alternative 2 is vastly preferable to an auction process or to eliminating the import allocation process altogether and appreciates CAISO's rejection of related proposals. Staff continues[5] to support certain technical aspects of the proposal, including publication of LSE-specific information on MIC locked at each branch group, revising the remaining import capability (RIC) allocation process, treating renewed or extended contracts – as well as replacement contracts – as new contracts under the allocation process, and disallowing "evergreen" contracts.

Staff generally agrees with the modifications CAISO made to Alternative 2 in the Second Revised Straw Proposal. CAISO proposes a simplified MIC "locking" process that would enable an LSE to lock MIC at a given branch group up to the megawatt value implied by 75% of the LSE's year ahead load ratio share (but subject to later changes in load ratio share), as long as the LSE were to sign relevant contracts by May 15 of the applicable year and provide the contracts to CAISO by June 1 of the applicable year. Staff agrees with this change, which eliminates the three-year window to lock allocations that CAISO had originally proposed[6] and ensures that contracts will undergo CAISO review prior to their use in locking allocations. CAISO also proposes that if an LSE uses multiple contracts to lock MIC at a branch group, and if the contract quantities vary by month, then CAISO will set the locked amount as the maximum of the sum of monthly contract quantities in any given month, rather than as the sum of the maximum monthly quantity for each contract. Staff agrees with this proposal. Similarly, staff agrees with CAISO's proposed requirement that any contract used to lock MIC include at least three summer months from June through September.

[2] CAISO MIC Allocation and Multi-Year Stabilization Second Revised Straw Proposal at 17.
[3] Comments of Southern California Edison on the CAISO MIC Allocation and Multi-Year Stabilization Revised Straw Proposal at 3.
[4] Comments of Energy Division Staff on the CAISO MIC Allocation and Multi-Year Stabilization Straw Proposal at 2.
[5] See Comments of Energy Division Staff on the Revised Straw Proposal at 4.
[6] See CAISO MIC Allocation and Multi-Year Stabilization Revised Straw Proposal at 19-20.

Finally, staff supports CAISO's clarification that "[t]he total locked up amounts for each LSE represents the sum of all their ETCs, TORs, Pre-RA Import Commitments and New Applicable Contracts."[7] This implies that if an LSE already has ETCs, TORs, or Pre-RA Import Commitments at or in excess of the megawatt value corresponding to 75% of the LSE's year ahead load ratio share at a given branch group, the LSE cannot lock additional MIC at that branch group.

Staff does have questions and comments on certain aspects of CAISO's Second Revised Straw Proposal. <u>First, staff would like to clarify what would happen if an LSE locks MIC at a branch group using a given contract, then subsequently loses some of its MIC, only to regain some or all of that amount in a future year during which the contract is still active.</u>[8] Staff assumes that in this scenario, the LSE would not be able to automatically lock the "regained" MIC using the same contract and that the LSE would need to re-submit the contract for CAISO review in order to lock the regained MIC. This is probably the simplest outcome, and staff would like to confirm whether this understanding is correct. <u>Second, in comments on the Revised Straw Proposal, SCE asked whether resources must be operational in order to lock MIC and, if not, how CAISO will track and verify commercial operation.[9] Staff also seeks clarification on this question.</u>

The Second Revised Straw Proposal states that "new contracts used to lock MIC allocations to branch group should be associated with source specified import resources (either resource specific or an aggregation of specific resources)."[10] This is different from CAISO's earlier proposal that "new contracts used to lock MIC allocations to branch group should be associated only with either pseudo-tied resources, resource-specific dynamically scheduled system resource or other resource-specific system resource."[11] In our comments on the Revised Straw Proposal, staff proposed that CAISO limit the applicability of contracts only to "pseudo-tied resources and resource-specific dynamically scheduled system resources, consistent with D.19-11-016 in the Integrated Resource Plan proceeding."[12] <u>Staff continues to support our earlier comments. In addition, if these resources do not meet requirements for import resources that the California Public Utilities Commission (CPUC) adopts in Ratemaking (R.)17-09-020, then they may not count towards the CPUC's RA requirements.</u>

Finally, the Revised Straw Proposal and Second Revised Straw Proposal both require that an LSE provide CAISO with a "priority curtailment order" for contracts, which

[7] CAISO Second Revised Straw Proposal at 24.
[8] This is not necessarily a likely scenario but could occur if, for example, an investor-owned utility loses customers to a new LSE but then regains those customers when the new LSE fails.
[9] Comments of Southern California Edison on the Revised Straw Proposal at 7.
[10] CAISO Second Revised Straw Proposal at 25.
[11] CAISO Revised Straw Proposal at 20.
[12] Comments of Energy Division Staff on the Revised Straw Proposal at 3-4.

CAISO will use to "unlock" MIC when the MIC value implied by an LSE's load ratio share drops beneath its previously locked amount. Staff appreciates this clarification, which appears to follow a recommendation in staff's comments on the Straw Proposal.[13] This provision could provide greater certainty, but in instances where load ratio shares change due to load migration, the effect could be to preserve contracts and MIC at certain branch groups for ratepayers that did not migrate between LSEs while denying continued access to the same branch groups for ratepayers that did migrate. This does not seem equitable. Instead, staff believes pro-rata curtailment of all of the LSE's contracts on all interties makes more sense.[14] Staff believes this model is still superior to the current one-year-only MIC allocation process.

Additional comments

None at this time.

[13] See Comments of Energy Division Staff on the MIC Stabilization and Multi-Year Allocation Straw Proposal at 5.

[14] Curtailing all of an LSE's contracts, including multiple contracts at a single branch group, would avoid the need to prioritize between contracts at a branch group when the lost MIC does not exceed the contract quantity of any single contract. However, because a priority curtailment order at a single branch group does not have the same equity implications as a priority curtailment order across all branch groups, staff would be open to considering a prioritization scheme on an individual branch group basis.