The ISO received comments on the topics discussed at the January 29, 2020 stakeholder meeting from the following:

1. Southern California Edison (SCE)
2. American Wind Energy Association - California (AWEA - California)
3. Pacific Gas & Electric (PG&E)
4. Powerex Corp.
5. California Community Choice Association (CalCCA)
6. Sacramento Municipal Utility District (SMUD)
7. Six Cities
8. Southwestern Power Group (SWPG)
9. Western Power Trading Forum (WPTF)
10. California Public Utilities Commission (CPUC)

Copies of the comments submitted are located on the Maximum Import Capability Stabilization and Multi-year Allocation webpage at:

http://www.caiso.com/StakeholderProcesses/Maximum-import-capability-stabilization-multi-year-allocation

The following are the ISO's responses to the comments.

1. Southern California Edison (SCE)
Submitted by: Wei Zhou

No	Comment Submitted	CAISO Response
1a	**1. The CAISO should evaluate how its MIC stabilization proposal and derived MIC values are aligned with the physical capability of the grid, including the simultaneous import limit (SIL).** The CAISO proposes to use the data from the prior five years instead of two prior years to derive MIC values. While the proposed approach is an incremental improvement over the current approach, SCE believes that there could still be significant underutilization of the physical capability of the grid under the proposal. The CAISO should perform an analysis to assess how closely the derived MIC values are aligned with the physical capability of the grid. The CAISO has stated that the SIL is around 12,800MW. However, the Available Import Capability (IC) for CAISO Resource Adequacy (RA) purposes has been declining, from 13,400MW in 2014 to 10,200MW in 2019. What should be reasonably expected of the level of Available IC for RA in light of the SIL? Has the SIL declined over these years? If the SIL is stable, then why has the Available IC declined? SCE requests that the CAISO look into these questions because Available IC is important as it's the amount that can be utilized for RA purposes even if historically, energy imports have not risen to this level. SCE continues to believe that the MIC amount should be closely aligned with the physical capability (including SIL). If the approach of basing on historical market data drives the MIC values further away and below the level of the physical capability, then the CAISO should explore alternatives. Perhaps one alternative approach could be to simply scale the MIC value allocated to each intertie up so that the total MIC value collective over all interties will be equal to the SIL value. Another approach can be based on a simulation study similar to the simultaneous feasibility study performed for the Congestion Revenue Rights (CRRs). These approaches, and other viable alternatives, should be further explored.	Assessment of MIC vs SIL: The California Simultaneous Import (CASI) has been fairly steady across time. Currently at 12,800 MW, CASI only includes flows on California-Oregon Intertie (COI) and West of the River (WOR), however it is not just used by the CAISO; it is also used by other control areas like: BANC (SMUD, WAPA, Roseville, MID, Redding, City of Shasta Lake), TID, LADWP and CFE. Currently the CAISO MIC (15,525 MW) is formed of about 11,125 MW on CASI transmission plus about 4,400 MW on non-CASI transmission system. Within the ISO CASI portion of MIC, non-ISO control areas have a 2,000 MW reservation; therefore, the ISO LSEs are left with about 9,125 MW. MIC allocation to CAISO LSEs for use of CASI transmission plus non-CASI transmission is above the highest usage ever recorded of 12,500 MW net imports. CAISO concludes that there is no underutilization of the available simultaneous import limit on the transmission system, to the contrary.
1b	**2. Load migration must be addressed in any multi-year MIC allocation proposal; RA Import requirements are still being determined** Given the increasing load fragmentation and significant load migration among Load Serving Entities (LSEs), a multi-year MIC allocation proposal must address how the MIC that's "locked" by LSEs will transfer to other LSEs should they lose load. While the CAISO did not offer a proposal, the Straw Proposal	CAISO has proposed a new alternative for multi-year allocation that largely follows these suggestions (see revised straw proposal alternative 2).

No	Comment Submitted	CAISO Response
	contemplates the idea of forcing a transfer of RA contracts used for locking MIC. SCE believes forcing transfer of RA contracts can be problematic and complicated. It's also unclear whether such contractual transfers should be under the purview of the CAISO and what are potential implications. For these reasons, SCE recommends that the CAISO should consider a mechanism similar to the mechanism used in the CRR process, or other viable mechanisms. In the CRR mechanism, an entity losing load gives up a proportionate share of their allocated CRR holdings to the entity gaining load. This process ensures that those that pay for the transmission system attain the benefits of that system. In addition, modifications to the existing requirements for RA imports are currently in the scope of the on-going RA proceeding (R.19-11-009). It's unclear that a multi-year MIC allocation would incentivize multi-year RA contracts on interties prior to the requirements for RA imports being finalized. Further, a method for multi-year MIC assignment must be closely aligned with the specifics of multi-year RA system and/or flexible RA requirements, which do not exist today. Without those specifics being available, allocating MIC multi-year forward can introduce inefficiencies and risk incorrect amounts being assigned to individual LSEs, whose load could constantly change from year to year. SCE recommends that the CAISO should exclude multi-year MIC allocation from the Straw Proposal at this time. The topic can and should be revisited upon further understanding of a multi-year forward requirement for system and flex (if and when imports qualify to meet flex requirements).	CAISO believes there is value in moving forward with multi-year MIC allocations even if the CPUC does not impose multi-year requirements on its jurisdictional LSEs. The value comes from the fact that LSEs can sign multi-year contracts (even if not required) and have certainty they can count them for RA.
1c	**2.1 Proposed changes to Step 5 of the MIC allocation process** The Straw Proposal contemplates changes to Step 5 "Remaining Import Capability allocation by load share ratio" of the current MIC allocation process. The CAISO proposes to exclude an LSE that has an allocated amount after Steps 3 & 4 exceeding its load share ratio amount from the calculation of remaining import capability allocation. To help understand the proposed change, SCE requests that the CAISO explain the reasons that an LSE could have its allocated amount after Steps 3 & 4 exceeding its load share ratio amount, as shown in the example provided by the CAISO. SCE also requests the CAISO clarify if this aspect of the proposal would require a tariff change.	Many LSEs today get allocations above their Load Share Quantity (LSQ) because they have ETCs and/or TORs (step 3) and Pre-RA Import Commitments (step 4) that in total are above their LSQ. Please see section 40.4.6.2.1 Step 5 in the ISO Tariff. This proposed change, to more fairly allocate the burden created by LSEs that receive allocations above their LSQ on LSEs that are below their LSQ, will require Tariff change.

2. American Wind Energy Association - California (AWEA - California) Submitted by: Caitlin Liotiris		
No	**Comment Submitted**	**CAISO Response**
2a	**1. Maximum Import Capability Stabilization** AWEA-California appreciates this opportunity to comment on CAISO's Straw Proposal in the MIC Stabilization and Multi-Year Allocation stakeholder initiative. Generally, AWEA-California supports CAISO's objectives with this initiative and believes that stabilizing the MIC and facilitating multi-year allocations will improve certainty over Resource Adequacy (RA) imports and will improve the likelihood for multi-year contracts that facilitate new, clean resource development for import to the CAISO. AWEA-California offers its support for CAISO's proposals contained within the Straw Proposal. The MIC stabilization proposal represents an improvement over today's MIC calculation and will reduce unnecessary MIC fluctuations year to year. MIC fluctuations can deter contracts for import RA and should be reduced. Looking at a five-year timeframe (and selecting the highest two years) to determine MIC is highly consistent with today's MIC calculation but will reduce MIC variation. Therefore, AWEA-California generally supports this approach.	Thank you for your support.
2b	**2. Available Import Capability Multi-year Assignment Process** Multi-year allocation of MIC, with significant MIC allocations being able to be "locked" in, if they are supported by underlying contracts, is an improvement over the current MIC allocation approach and will better can support new resource development for import into CAISO. In contrast, today's annual MIC allocations can serve as a barrier to contracting for import RA. The percentages that CAISO has proposed be available for long-term MIC "lock" and a three-year "lock" are well reasoned. Therefore, AWEA-California supports CAISO's proposal for multi-year MIC allocation. While AWEA-California recognizes that issues surrounding load migration must be addressed, the approach taken should be one in which underlying RA contracts are honored and MIC allocations are primarily tied to the existence of those contracts. An approach that does not honor these principles may not achieve the goal of supporting longer-term RA import contracting and potential new resource development for import into CAISO.	Thank you for your support. Thank you for your suggestion. Alternative 1 in the ISO proposal respects this principle.

3. Pacific Gas & Electric (PG&E)
Submitted by: Adeline Lassource

No	Comment Submitted	CAISO Response
3a	1. PG&E requests clarifications on the goals of the Maximum Import Capability Stabilization and Multi-Year Allocation initiative and why this process needs to be reconsidered. PG&E reiterates its comments provided on the Issue Paper and asks the CAISO to clarify the goal of the MIC Stabilization and Multi-Year Allocation initiative and its prospective role. The issues the CAISO is trying to solve in this initiative are not clear. The CAISO does not provide an adequate analysis demonstrating that there is a need to allocate multi-year MIC to LSEs to support their resource adequacy (RA) import requirements. The CAISO should also provide further analysis on the past and current use of the MIC: such analysis should specify the amount MIC being used as well as what portion of the MIC is being used for Resource-Specific for Systems Resources and for Non-Resource-Specific Systems Resources?	Please see paragraph 1 in section 1 of Straw Proposal (page 1).
3b	2. PG&E provides specific comments on the multi-Year allocation proposal. In the Straw Proposal, the CAISO proposed a set of new rules to allocate the MIC to LSEs on a Multi-Year basis. PG&E asks the CAISO to provide a detailed timeline explaining how the new MIC assignment will work. On the timeline, the CAISO should provide clear examples on: - The MIC allocation rule: the timeline should highlight when the MIC is calculated and when the MIC is allocated 20 years out, 3 years out, and 1 year out. - The sell/cancellation rule: the CAISO should provide examples on how the sell/cancellation rule will affect the LSEs in future MIC allocation in the 20 years out, 3 years out and 1 year out timeframe.	Based upon stakeholder comments, the CAISO has proposed two different alternatives for further assessment and comment. The implementation details will be further developed in the assessment and determination of the preferred alternative.
3c	- Multi-year allocation length: PG&E does not oppose the multi-year allocation of import capability for the three years out. As stated above, the CAISO should clarify if the goal is to propose a multi-year RA requirement for LSEs. However, PG&E does not support locking in the MIC allocation for up to 20 years. The CAISO provided some estimates of future import capability in the meeting presentation (slide 18): “60% of MIC is already locked for the next 8 years (ETC, TOR, Pre-RA);	CAISO’s intention was to accommodate new long-term RA contracts with high degree of certainty of receiving RA import allocation to be used in conjunction with these new contracts. Today many of the long-term Pre-RA Import Commitments are signed for either “life of the plant” or 40 year contracts. ISO has proposed 20 years in order to accommodate building of new resources dedicated to California LSEs.

No	Comment Submitted	CAISO Response
	50% of MIC is already locked for the next 9+ years." This may justify MIC allocations up to 10 years in duration, but not for 20 years.	10 years may be too short of a period in order to accommodate building of a new resource.
3d	- Changes to an individual LSE load forecast due to formation of a new LSEs: PG&E advocates for the same rule that applies to Congestion Revenue Rights (CRR) to reflect load migration (ISO Tariff section 36.8.5 and section 7.4 of the Congestion Revenue Rights BPM): if an LSE has significant departing load and locked MIC allocations due to existing RA import contracts for that load, the LSE should lose the MIC allocated (proportional to that load change) and the import capability should be re-assigned to other LSEs through the Remaining Import Capability allocation methodology.	CAISO has proposed a new alternative for multi-year allocation that largely follows these suggestions (see revised straw proposal alternative 2).

4. Powerex Corp. Submitted by: Mike Benn		
No	**Comment Submitted**	**CAISO Response**
4a	Powerex appreciates the opportunity to submit comments on CAISO's January 22, 2020 Maximum Import Capability Stabilization and Multi-Year Allocation Straw Proposal ("Straw Proposal"). Obtaining an allocation of Import Capability is a necessary element for California load-serving entities ("LSE") to satisfy their Resource Adequacy ("RA") obligations by contracts with supply located outside of the CAISO balancing authority area ("BAA"). As contracting for RA-eligible external supply extends beyond a single year—as is increasingly recognized as necessary—it also becomes beneficial to enable Import Capability to be secured beyond a single year. Powerex therefore supports developing enhancements to the Import Capability allocation framework to enable multi-year certainty, as this will support multi-year contracting to meet California's RA needs.	Thank you for your support.
4b	**Enhancements Are Needed To Eliminate Inefficient Stranding Of Import Capability** The Straw Proposal focuses primarily on technical aspects to determining how much of the Maximum Import Capability the CAISO will make available to allocate under a 3-year process. Unfortunately, the Straw Proposal does not address the chronic "stranding" of Import Capability that occurs when California LSEs receive an allocation but do not use it to support an RA arrangement. Powerex has raised and documented this problem in the past. Without meaningful steps to eliminate stranding of Import Capability, the desirable benefits of a multi-year allocation will not be realized. It would be highly detrimental to California ratepayers, as well as to reliability, for the multi-year allocation of import capability to simply result in multi-year stranding of import capability. The allocation of Import Capability has a single purpose: to ensure that total import RA commitments delivered to an intertie do not exceed the Import Capability of that intertie. That is, the need to allocate Import Capability arises only if and when the intertie capability is fully used under RA contracts. It is only then that some sort of allocation framework is needed to decide which RA contracts are accepted and which RA contracts are rejected, in a manner consistent with equity among the entities and customers that fund the import facilities.	Multi-year MIC allocations will not remain stranded. If not used before the year ahead process they will be re-allocated to all LSEs. The purpose of MIC allocations is being misunderstood. MIC represents the simultaneous deliverability of imports to the aggregate of CAISO load. Today quantified at about 15,525 MW. It has little to do with each individual intertie total import capability, today summing about 44,400 MWs. In other words, MIC shows us how the simultaneously deliverable imports are allocated to each individual intertie (of course, it cannot exceed each interties capability).

No	Comment Submitted	CAISO Response
	Critically, however, when total RA contracts at a given intertie are less than that intertie's Import Capability, there is no need for any allocation whatsoever, as all RA contracts can be accepted without raising any concerns regarding deliverability or equity. It is precisely under these circumstances of under-utilization that the current allocation process has been so harmful, as it has blocked access to Import Capability that is not scarce in the first place.	This comment appears to be focused on the non-simultaneous intertie import capability and ignores the fact there is a simultaneous intertie import limit. Each intertie needs a MIC allocation because only about 15,525 MW are simultaneously deliverable out of 44,400 MW of total non-simultaneous intertie capacity.
	Access to Import Capability must balance two objectives: - Achieving maximum economic utilization of available Import Capability; and - When the demand to use Import Capability exceeds the Import Capability of an intertie, ensuring that access is allocated equitably among the entities seeking to use it.	
	Currently, the Import Capability allocation prioritizes the second objective over the first. That is, the utilization of Import Capability is sacrificed in order to ensure that the potential use of Import Capability is perceived to be equitable. An LSE that desires to procure year-ahead import RA but does not have sufficient Import Capability will be denied additional Import Capability—even on an intertie where no other LSE seeks to import RA supply—simply to ensure that the LSEs that did receive an allocation of Import Capability can retain the option to use it in the month-ahead RA showing, or to choose to not use it at all.	The CAISO allocates all 15,525 MWs of simultaneously deliverable MIC in the year ahead period therefore there is nothing left to allocate later. LSEs can trade among themselves if they want more than the original CAISO provided free MIC allocation.
	The current allocation mechanism is thus highly inefficient, as it artificially limits the options of California LSEs to meet their RA requirements, ultimately increasing the costs paid by California ratepayers. Moreover, the equity concern that drives the current framework—that the value of Import Capability should be allocated to the entities that fund the underlying facilities—does not even arise if an intertie is not fully subscribed under RA contracts (since, by definition, Import Capability only has positive value if it is fully subscribed). Thus, in many instances, addressing a concern that does not even exist is leading to actual and material harm by artificially limiting the quantity of import RA contracts that California LSEs can use to meet their RA requirements.	
	Powerex believes that significantly more efficient use of Import Capability can be achieved by ensuring that it is never withheld from an LSE seeking to use it to enable an RA contract simply because it has been allocated to a different LSE that has not entered into an RA contract on that intertie. In the event that such an approach raises actual equity concerns—such as if scarce Import Capability is allocated in a matter that diverges from the underlying funding of the facilities—then Powerex supports CAISO working with stakeholders to	In the year ahead time frame the LSEs only need to make showings for 90% of their summer months requirements; another 10% needs to be procured before the month ahead showings are due. Therefore, it is only logical to allow the receiving LSEs time to do the additional procurement, including imports until the month ahead showings. Once the month ahead showings are in, there is really no opportunity to

No	Comment Submitted	CAISO Response
	explore avenues to address such outcomes. But Powerex does not believe that the mere possibility of such outcomes should preclude efficient utilization of Import Capability.	redistribute the unused allocations since at T-45 days all LSEs have to be already compliant.
4c	**Potential Mechanisms To Ensure Efficient Utilization Of Import Capability** Powerex believes that the allocation process needs to be reformed to apply two core principles: 1. Award Import Capability on an intertie only to the extent that an RA contract at that intertie is actually executed. This is necessary to avoid stranding, and thus make the full amount of Import Capability at each intertie available to support RA contracts; and 2. Apply a rationing or allocation mechanism only if the total quantity of submitted RA contracts at a given intertie actually exceeds the Import Capability of that intertie. These principles can be successfully implemented through at least two distinct but equivalent mechanisms: **Option 1: Allocation With Release Deadline.** The current allocation framework would be enhanced by requiring LSEs to demonstrate executed RA contracts using the allocated Import Capability by a certain date. LSEs may also submit executed “pending” RA contracts for which they do not hold an allocation of Import Capability. After the deadline for submission of RA contracts, any Import Capability that was previously allocated to an LSE in excess of that LSE’s executed RA contracts would be immediately re-allocated to the pending RA contracts submitted at that intertie. The figure below illustrates how this could work. LSE 1 is allocated 500 MW of Import Capability under the current mechanism, and enters into 200 MW of RA contracts at that intertie. Whereas the present mechanism allows the 300 MW of unused Import Capability to become stranded, a new mechanism could be introduced that automatically releases unused Import Capability and allocates it to entities that submit pending RA contracts. Such an approach requires a deadline for submission of executed or pending RA contracts. If—and only if—the quantity of pending RA contracts for the annual showing exceeds the amount of unused 1-year Import Capability that had been allocated, then a mechanism will be needed to determine how much (or which) of the pending RA contracts receive Import Capability. In this scenario, the allocation could occur based on the load-ratio share of the entities with pending	One of the main principles that govern the MIC allocations was always for the CAISO to provide MIC allocations first, LSEs to purchase RA contract second (with allocations already available to them). Changing the order will potentially result in RA contracts not being allowed to count for RA due to unavailability of deliverable MIC. Not possible see response to 4b above. Thank you for your suggestion.

No	Comment Submitted	CAISO Response
	RA contracts, applying the same concept as today. The figure below is identical to the prior example, except LSE 1 enters into 300 MW of RA contracts; there is thus 200 MW of unused Import Capability while other LSEs have still submitted a total of 250 MW of pending RA contracts. Since the load ratio shares of the two LSEs submitting pending RA contracts is the same, the unused Import Capability is allocated equally in this example.	
4d	**Option 2: Direct Allocation Only To Executed RA Contracts.** This approach eliminates the current process whereby a California LSE requests an allocation of Import Capability, and instead performs the allocation only upon submission of an executed pending RA contract. In effect, the pending RA contract becomes the request for allocation of Import Capability. Consistent with the principles set out above, all pending RA contracts would be allocated Import Capability so long as the total quantity of submitted contracts does not exceed the total Import Capability at the specific intertie. If—and only if—the total quantity of submitted RA contracts exceeds this level would any rationing be necessary. In that case, a load-ratio share continue to be used as the basis for allocation scarce Import Capability on an over-subscribed intertie. The figures below show how this alternative mechanism would work under the same scenarios presented previously. Regardless of which mechanism is employed, the key result is that Import Capability is allocated only to the extent that an RA contract is actually executed. This avoids the critical flaw in the current approach, which allocates Import Capability in advance, and has no provisions to release or otherwise make unused allocations available to other entities that would use it. Powerex looks forward to working with CAISO and other stakeholders to identify changes to the Import Capability allocation process to eliminate the costly and inefficient stranding of Import Capability that occurs under the current design. Such enhancements are particularly important as CAISO seeks to enter into multi-year assignment of Import Capability, under which inefficiencies—and the associated harm to California ratepayers—may become "locked in" for an extended period of time.	Thank you for your suggestion.

5. California Community Choice Association (CalCCA)
Submitted by: Evelyn Kahl, Buchalter

No	Comment Submitted	CAISO Response
5a	CalCCA appreciates the opportunity to comment on the CAISO's Maximum Import Capability Stabilization and Multi-Year Allocation Straw Proposal and wishes to acknowledge the CAISO staff for their efforts undertaken to draft the proposal. This document focuses on the calculation of MIC rather than the allocation proposal and is in three parts. CalCCA is generally supportive of the CAISO's multi-year approach to MIC allocations and believes this is a vast improvement over the present rules. That said, CalCCA is not commenting on implementation details in these comments at this time. CalCCA is continuing to develop its view on the MIC allocation process and anticipates providing comments on important aspects of this issue (e.g., load migration) at a later date. In this document we first, we describe some of our assumptions regarding the problem that the CAISO faces in setting MIC values in aggregate and by branch group. Second, we offer comments/recommendations. Third, we end with two questions for consideration by the CAISO and parties in this stakeholder process. Some assumptions are restatements of those the CAISO has already made but are included here because of their relevance to our comments. We include assumptions because i) they guide the rest of our comments, ii) we wish to understand the CAISO's problem(s) and proposal solution(s) better, and iii) we wish to help others understand the assumptions underlying our comments in order to interpret and respond to our comments.	Thank you for your support.
5b	**Assumptions:** • The CAISO has limited ability to forecast the simultaneously feasible optimal power flow across the WECC system, given uncertainty regarding supply volume, supply and transmission arrangements, and relative marginal cost of resources among and within each balancing authority area. • The CAISO does not know ahead of time when the period of greatest system need will be in any given window of time (year, season, month, day). • The period of peak demand and peak imports may not perfectly align with the period of peak system need and available import capability at such time. • Uncertainty, especially regarding internal power flows resulting from internal load and generation statuses, suggests conservative estimates for branch	Thank you for sharing with us your assumptions.

No	Comment Submitted	CAISO Response
	group MIC may be warranted; however, there are risks that being too conservative will impede the efficient and equitable treatment of internal and external resources. • While the total physical import capability of all interties is 44,400 MW, the interplay between external and internal power flows limits the actual amount of net imports that can be accommodated during a delivery period/operating hour (the CAISO's Operating Procedure 6150 limits net imports to 12,800 MW). • Historical import data is imperfectly representative of future available import capacity. • Stabilization of MIC and multi-year allocation will increase certainty needed by market participants to transact for imported capacity. o Stabilization of MIC using any chosen historical period risks underestimating actual import capacity during the actual operating period. • A forward-looking MIC methodology is challenging for several reasons: o CAISO does not know what actual internal power flows will be (input variables include gas prices, generator outages/derates, transmission outages/derates, weather, VER production, etc.). o CAISO has limited information on current and future resource fleets outside of its territory.	
5c	**Comments:** CalCCA offers the following items for consideration as the CAISO develops the revised straw proposal: • Principle: MIC calculation should be a best unbiased estimate of actual operating conditions. • Comment: CAISO should consider a forward-looking (WECC-wide) analysis. o For example, a full forward-looking WECC-wide simultaneously feasible/optimal power flow production cost model able to develop ranges of MIC values by branch group for multiple realistic CAISO stressed grid conditions may be feasible and valuable (positive cost/benefit of developing the new methodology). o This analysis should also take into account how much potential import capacity is reserved for the EIM market, and how much this capacity can be counted on to deliver energy into California when needed.	Thank you for your suggestion.

No	Comment Submitted	CAISO Response
	• Comment: CAISO should estimate how results from an historical analysis (including the one proposed in the Straw Proposal) differ from an ideal/perfect-information forward-looking analysis. While the results of a perfect forward-looking analysis are necessarily unknown, striving to minimize the gap between the outputs of what is implemented, and what a perfect set of outputs would be should be a priority. o Perhaps the CAISO could use back-testing with best available information to make such an estimate. o Estimates must also consider how the historical analysis may include only un-stressed periods in the West that fail to account for potential future stressed conditions (for example, drought through-out the West). In other words, if we know the input data are unrepresentative or otherwise biased against projected operating conditions, such insights should be acknowledged and addressed as best as possible (see "best unbiased estimate" principle). • Comment: CAISO should continually identify data it does not have that would help improve accuracy of the methodology (historical or forward-looking).	
	• Comment: CAISO has described peak demand as the period of interest in deriving MIC values; CAISO should consider whether net demand (demand minus in-front-of-the-meter VER production plus/minus net storage dispatch) would better reflect time periods of greatest need, or whether the analysis should consider both periods. • Comment: Allow MIC calculation to remain flexible to changing resource fleet by redefining objective from determining import capacity at period of system peak to import capacity at period of greatest system need. o For example, if system need increases when internal resource production drops off, the import capacity of greatest relevance may be post-peak, in which internal and external resources are not competing to serve load but are complementary to meeting the objective of optimal commitment and dispatch (WECC-wide). A MIC process that restricts branch group capability to those most limiting periods in terms of how much energy can be imported, and is then applied to other periods where such actual limits are much higher, this may distort and adversely affect the RA market, violating the principle of equitable in-state and out-of-state resources.	The CAISO is using the highest import hours when load is above 90% of peak. For the last few years these hours already reflect the net peak 19:00-21:00 hours.

No	Comment Submitted	CAISO Response
	• Comment: CAISO should consider whether some description of Operating Procedure 6150 that would be valuable to market participants, can be made public.	See response to comment 1a above.
5d	**Questions:** • Will the aggregate MIC value appropriately align with CAISO system needs over the medium and long-term, as these system needs evolve over time with a changing supply portfolio (net peak demand pushing the greatest need for capacity and energy into the evening hours, and perhaps into the overnight and early pre-solar-ramp morning hours; the MIC methodology should be flexible enough to accommodate a storage-heavy CAISO supply portfolio)? • Will the adopted rules align with, or at least not conflict with, the RA-CPE as contemplated in the settlement proposal within CPUC Proceeding R.17-09-020?	The MIC values align with the correct time of need. See answers to 5c above. The rules align with the proposed settlement.

6. Sacramento Municipal Utility District (SMUD) Submitted by: Andrew Meditz, Martha Helak and Bill Her		
No	**Comment Submitted**	**CAISO Response**
6a	**1. Maximum Import Capability Stabilization** SMUD continues to support the CAISO's efforts to update its MIC allocation to maximize import supply potential. SMUD believes the proposal to use the average of four hours during the prior five-year period is a measurable improvement over the current two hours over a two-year period. However, SMUD is concerned that this methodology still relies on historical usage and will not provide needed flexibility for changed circumstances. Forces such as historical prices can distort measurement periods such that they do not represent what the system is actually capable of delivering. For example RA prices were much lower a few years ago, providing no incentive for RA to be imported from outside the system. Abundant in-state hydro and high penetration of low variable cost resources such as renewables would limit the need for imported energy during these measurement periods as well. Future MIC capacity should align as much with the physical capability of the system and be as forward looking as possible. Accordingly, we recommend the CAISO incorporate a factor in the methodology that would look at potential future usage, such as construction of a new transmission line, upgrade of a line, or development of a new generating plant. This will give the CAISO a reasonable degree of flexibility to change the MIC to more accurately reflect the capability of the grid.	Thank you for your support. The CAISO proposed methodology allows for increases or decreases to simultaneous deliverable imports (MIC) based on market conditions. CAISO already accounts for new transmission lines or upgrades to the transmission system in calculation of MIC. The multi-year allocation is proposed in order to better account for new resources dedicated to California LSEs (beyond what is already provided through the CPUC portfolios).
6b	**2. Available Import Capability Multi-year Assignment Process** SMUD generally agrees with CAISO's proposal to establish a two-part allocation that allows a load serving entity (LSE) to lock in MIC for a certain long-term period, while retaining a percentage for the three-year and one-year timeframes. This recognizes the changing LSE landscape in California, with IOU load continuing to migrate to CCAs. The percentages identified in the Straw Proposal (80% for 3-year terms, and 60% for long-term up to 20-years), appear reasonable and supported by the data. However, this does not seem to solve the CAISO's goal of making it easier for RA resources to be built outside of the CAISO Balancing Authority if an LSE needs to have a contract in place to qualify. LSEs are still taking a risk by signing a long-term contract if they do not already have the long-term MIC allocation. They also would not want to have their MIC allocation quantity	Thank you for your support. CAISO proposes to give multi-year MIC allocation out in advance of LSE signing an RA contract (in order to mitigate financial exposure). Then the LSE will "lock" its allocations by showing the RA contract within about 18 months from when the allocation was originally received.

No	Comment Submitted	CAISO Response
	locked in for the future if they do not have the resource contracted yet. The concern around an LSE losing load, losing contracts (by expiration or termination), and transferring contracts also needs to be addressed to avoid stranded or locked in MIC allocations that hurt other LSEs. Transferring contracts are part of a bi-lateral negotiation between two parties that does not involve the CAISO; therefore it would be challenging for the CAISO to monitor these changes and enforce any follow up actions. All this could lead to a more unfair and inefficient tie-up of MIC allocations. Additionally, SMUD questions whether it makes sense to require a selling LSE to retain the RA contract under its name throughout the three-year and one-year allocation process. This requirement seems too restrictive and counters the intent of the CAISO's proposal to provide flexibility to maximize RA import supply. Accurate and timely MIC allocations will drive new resource and contract development.	Under alternative 1 the RA contract and MIC allocations must be retained until after the year ahead process, only if it sold along with MIC allocations – this avoids the possibility that the CAISO would allocate in the year ahead process MIC to the same LSE that sold its MIC allocations to a different party. This provides financial fairness to the rest of the LSEs that otherwise will be impacted by this sale. If the RA contract is sold without RA Import Allocation then the CAISO needs to be notified in order to release to "lock" the selling LSE has and in order to allocate additional MIC to the selling LSE in the year ahead timeframe.
6c	**3. Additional comments** While we understand the CAISO is not pursuing a MIC auction mechanism at this time, SMUD wishes to express its continued support for an auction, or some other transparent mechanism, to ensure available MIC can be identified and purchased or otherwise exchanged among LSEs. This is an important component of the RA market and would prevent an LSE from unfairly monetizing the MIC allocation. SMUD looks forward to a future initiative that addresses a mechanism for identifying MIC availability for LSE purchase, reallocation, or exchange. In addition, SMUD encourages the CAISO to continue to align its MIC process as closely as possible with the California Public Utilities Commission (CPUC) RA timeline. As the CAISO develops changes to its MIC allocation process, coordination with the CPUC becomes even more important given the changes in the RA market and continued load migration.	Thank you for your suggestion. The current MIC allocation process is aligned with CPUC RA timelines. CAISO intends to keep them aligned.

7. The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities) Submitted by: Meg McNaul, Bonnie Blair, Thompson Coburn LLP		
No	**Comment Submitted**	**CAISO Response**
7a	The CAISO's proposed modifications to its existing MIC allocation represent incremental improvements in several respects. In particular, the Six Cities support the proposal for multi-year allocation of MIC and agree that allowing load-serving entities using MIC for import resource adequacy ("RA") resources to retain their allocated MIC over a multi-year period will achieve stability, and it is reasonable to conclude that such stability will help facilitate longer-duration RA contracts. The Six Cities also support the CAISO's proposal to continue allocating MIC to load-serving entities and to defer consideration of an auction proposal.	Thank you for your support.
7b	The Six Cities do not support other elements of the CAISO's proposals at this time, at least based on the information and reasoning set forth in the Straw Proposal. First, the CAISO's proposal to retain use of a historical look-back in establishing MIC values is insufficiently supported and does not assure that MIC values will reasonably reflect forward-looking use of the interties. The Straw Proposal makes a marginal improvement to the existing methodology, whereby rather than using the most recent two years of data (Straw Proposal at 3) to establish MIC values, the CAISO proposes to expand its look-back to five years and to select the two years with the highest imports when load is at or above 90% of the year's peak (id. at 8). Although this approach broadens the range of years relied upon and may provide some degree of improved accuracy in MIC assessments, the Straw Proposal fails to meaningfully evaluate the results of this approach against a generally applicable forward-looking methodology, which the CAISO concedes some stakeholders (including the Six Cities) support and the CAISO already uses for some branch groups.1 The Straw Proposal instead makes the conclusory observation that the current approach is "still appropriate" based on the CAISO's "initial review," seemingly because it was established through a stakeholder process and FERC technical conference in 2005. (Straw Proposal at 3-4.) The Six Cities urge the CAISO to give serious consideration to adoption of a methodology to establish MIC values that is forward looking, particularly as it considers permitting load-serving entities to retain MIC for longer durations. The CAISO's proposal raises the strong possibility that MIC may be understated for	As explained at 1a above the existing MIC allocation process most likely over utilizes the existing transmission rather than underutilizing it. The first question that needs answer is how to fairly allocate the simultaneously deliverable import capability among all the interties? Second, what is the assurance or likelihood that resources will show up and be dedicated to California LSEs at different interties in the future? CAISO is already using the CPUC provided portfolio; as such, the question is: What else beyond CPUC provide portfolio is a most likely indication of future availability? The new method should preferably be "better" than current method that relies on actual energy schedules (therefore proof that there are resources available on the exporting side). Please provide specifics to the envisioned "forward looking" methodology.

No	Comment Submitted	CAISO Response
	at least some interties if historical information is the basis for the MIC values, which is especially problematic as the RA market tightens. The CAISO's preference for prioritizing multi-year allocations should not come at the expense of fully and accurately evaluating how MIC values are set. The fact that stakeholders developed the current methodology through a FERC technical conference held fifteen years ago is not particularly relevant to current and future circumstances, and neither the CAISO nor stakeholders are bound by the existing approach if a change is needed.	
7c	Second, the Straw Proposal gives short shrift to the very real need to evaluate and address the potential for unused MIC allocations, claiming that addressing this problem might somehow "detract" from developing the multi-year allocation process. (Straw Proposal at 6.) It is critical that this initiative report and analyze data on a branch group basis as to quantities of MIC allocated versus MIC that is associated with RA capacity included on load-serving entity RA showings. At least one City has needed and not received a MIC allocation enabling it to use external resources not associated with pre-RA contracts for meeting its RA requirements. This City has experienced challenges in attempting to acquire MIC from other load-serving entities, even on a short-term basis. Although the CAISO currently has voluntary procedures to accommodate transfers of MIC, as the Six Cities explained in their prior comments, the CAISO should address the potential for unutilized MIC by adopting a more formalized, mandatory process for MIC reassignment. This is especially important given the CAISO's concerns that reduced quantities of MIC may be available in the future. Under such a process, MIC that is not associated with a specific contract or resource being used by an LSE to meet RA needs would be released or reassigned for use by another LSE. To evaluate the need for such a process, the Six Cities reiterate their request that the CAISO provide information about the extent to which all MIC is or is not fully utilized at the various interties.	Thank you for your suggestion. The CAISO has proposed a reallocation of the unused multi-year MIC allocations. The CAISO has not found a way to feasibly reallocate the year ahead allocations, please see response to 4b above.
7d	Third, the CAISO's proposal does not sufficiently address problems relating to the availability and allocation of useful quantities of MIC. Because residual MIC is allocated according to load ratio share, smaller load serving entities end up receiving either no MIC allocations at all at their selected interties or quantities of MIC that are too small to have value for purposes of contracting for RA	Thank you, your comment has been noted. Please provide a specific suggestion for the implementation of the proposed allocation in the revised draft straw proposal.

No	Comment Submitted	CAISO Response
	capacity resources on a short or long term basis. This places load-serving entities without MIC or with de minimis MIC allocations in the position of having to scramble on a month-to-month basis to either obtain residual MIC (which, as stated above, may have limited success) or alternative RA resources to ensure that their RA requirements can be met. This is both impractical and unduly burdensome. Faced with the prospect of decreasing MIC, at least in the near term, the CAISO should consider implementing measures to ensure that LSEs receive meaningful allocations of MIC that, irrespective of relative load share, are sufficiently large to enable use for purposes of long-term contracting.	

8. Southwestern Power Group (SWPG) Submitted by: Ravi Sankaran, Ellen Wolfe		
No	**Comment Submitted**	**CAISO Response**
8a	Southwestern Power Group (SWPG) appreciates the opportunity to submit comments in response to the CAISO's MIC stabilization Straw Proposal dated January 22, 2020 and the discussion held at the January 29, 2020 stakeholder meeting. SWPG is developing the SunZia Southwest Transmission Project, and in conjunction with its tenant Pattern Energy Group II, LP (Pattern), will provide delivery of wind energy from New Mexico (NM) to the CAISO. Pattern currently has executed power purchase agreements with California LSEs for firm deliveries of resource-specific energy and RA capacity, and they are continuing to market additional NM wind PPAs with LSEs. This issue is critical to the ability to ensure LSEs receive the wind energy and its attributes at the most cost-effective prices by minimizing risks associated with counting the imported wind toward Resource Adequacy (RA) requirements. SWPG strongly appreciates the CAISO's efforts to quickly address aspects of the MIC allocation that currently create risks for such contracting. SWPG generally supports many of the policy elements proposed by the CAISO. Continued allocation based on load share is reasonable. A three-year term coupled with a 20-year lock seems reasonable, and the time to lock seems reasonable. SWPG also finds reasonable the CAISO's proposed ability for an LSE to partially lock allocated long-term amounts if their contracting quantities are less than the allocated amounts. SWPG offers other comments below.	Thank you for your support.
8b	**1. SWPG strongly supports increasing transparency associated with the availability of MIC at CAISO Interties** The CAISO has proposed to increase transparency by making public information related to MIC LSEs hold as well as locked amounts by individual branch groups.1 Increased transparency is critical to adding liquidity to what otherwise may be underutilized MIC, especially in light of the CAISO's position to delay considering an auction mechanism at this time. In addition to posting this information as the CAISO has proposed, SWPG requests that the CAISO also release data about the MIC availability and utilization by tie. This request was made at the CAISO's January 29 meeting. The CPUC recently released a report which indicated that, even in peak conditions, there are over 4,000 MWs of unused MIC capacity.2 However, the report does not provide MIC utilization by intertie branch group. SWPG is concerned that while in aggregated there	Thank you for your support. At this time, the CAISO does not have the requested data in a format that can be publically shared. The CAISO is reviewing what data can be shared in a public forum and could make additional data available in the next rounds of stakeholder review process.

No	Comment Submitted	CAISO Response
	may available import capability, that certain interties may be close to fully subscribed. SWPG requests that that CAISO provide the information represented in the CPUC report but on a tie-specific basis. Data for such a release could still be aggregated over LSEs such that there should be no commercial interest concerns. Providing that information at this time will help inform stakeholders and the CPUC about whether there is a scarcity of MIC at certain locations.	
8c	**2. Multi-Year MIC should not be Dependent Upon a Multi-Year RA Product** The lack of multi-year MIC mechanisms hampers contracting even for one-year RA deals. It has done so for years and will continue to do so as long as LSEs face risks each year that they will not be awarded the MIC they need for a long-term arrangement. SCE expressed a concern that the CAISO may be "front running" the CPUC's multi-year RA product policy. SWPG respectfully disagrees; the CAISO should continue with the implementation of a multi-year mechanism regardless of the pace with which the CPUC moves forward with a multi-year RA product.	Thank you for your support.
8d	**3. CAISO Should Allow for Adjustments to the IRP Portfolio for Purposes of MIC Locking** The CAISO has proposed that the IRP portfolio determine future MIC needs. This element of the CAISO proposal, however, is problematic because the amount of out-of-state (OOS) renewables in the CPUC portfolios may not reflect all the out of state renewables LSEs have contracted for. In the initial IRP cycles, the CPUC has made policy choices of whether to include certain OOS renewables. Some portfolios passed to the CAISO include zero additional OOS renewables of certain technologies. For the CAISO to use this information strictly would be problematic. Further, in SPWG's experience not all executed contracts with California LSEs are accurately captured in the portfolios despite efforts by parties to have the CPUC recognize the contracts. Pattern has already developed and built the 324 MW Broadview and 220 MW Grady New Mexico wind projects which both currently deliver to California LSEs. The Baseline does not yet include these contracts, and this is impetus for SWPG's concern about possible disconnects between the CPUC portfolios and deliveries already contracted for by LSEs."	Both CAISO alternatives proposed to account for all new RA import contracts, with import resources that are equivalent with internal resources, not just does in the CPUC portfolio.

No	Comment Submitted	CAISO Response
	The CAISO should afford a mechanism such that in cases such as this, a party can demonstrate that they have legitimate renewables expected to flow into the CAISO that are not captured in the portfolio. Upon such a demonstration and confirmation by the CAISO, the CAISO should update the expected imports to improve the accuracy of the presumed imported amounts.	
8e	**4. SWPG Suggests that the CAISO Reconsider its Proposal that a "lock" is permanent irrespective of substantive load migration** SWPG appreciates the CAISO's recommendation to provide stability and not to have LSEs lose locked MIC allocations for exogenous fluctuations in load forecasts for example. However, SWPG does not find the CAISO proposal to make all locks fixed with the locking LSE to be an equitable policy design. Especially under conditions of load migration, SWPG encourages the CAISO to see the locked MIC as something that would stay with the contract or with the load for example; having the lock stay with an LSE that is losing significant levels of load would not, in SWPG's opinion, result in efficient market design.	CAISO has proposed a new alternative for multi-year allocation that largely follows these suggestions (see revised straw proposal alternative 2).

9. Western Power Trading Forum (WPTF)
Submitted by: Kallie Wells – Gridwell Consulting for WPTF

No	Comment Submitted	CAISO Response
9a	The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country. WPTF appreciates the opportunity to submit these comments on the CAISO's Maximum Import Capability (MIC) Stabilization and Multi-year Allocation Straw Proposal discussed on the January 29, 2020 stakeholder call. WPTF continues to be supportive of the CAISO's proposal to modify its existing one-year MIC allocation process with a multi-year allocation. We appreciate the CAISO's attention to enhance the existing framework in such a way to incent longer term contracting for import RA. This comes at a critical time as the CAISO faces potential capacity shortfalls; WPTF views a multi-year MIC allocation as a significant step forward in developing an efficient way to help address the shortfalls. WPTF's brief comments below provide the CAISO with additional considerations to further enhance some of the proposal elements with the goal in mind of creating an efficient and transparent methodology for allocating MIC that further helps achieve the objectives of this policy process. As stakeholder discussions continue it is key that we keep in mind that one of the goals of this effort is to facilitate and incent contracting for import RA; to that end the resulting policy should take care to not unintentionally restrict the ability for entities to contract for RA imports.	Thank you for your support.
9b	**Transparency.** Transparency in a competitive market environment helps further improve and promote market efficiencies. WPTF appreciates and strongly supports the CAISO's proposal element to continue publicly posting information regarding LSE holders and locked up amounts. Having this information publicly available	Thank you for your support. CAISO could post the data within a few days after the finalization of the MIC allocation process.

No	Comment Submitted	CAISO Response
	is extremely valuable. To that end, WPTF encourages the CAISO to consider posting the information earlier than is done today so LSEs will have more time to transact before the RA filing deadline.	
9c	**Post Allocation Mechanism.** WPTF understands the rational provided for LSEs to have the ability to "lock up" MIC to cover longer term RA contracts. However, as discussed on the stakeholder call, there was concern with regards about handling load migration if the MIC is locked up for years out. It is WPTF's understanding that LSEs are not obligated to release or trade any of its unused MIC; thus, as load migration continues, it could be the case that LSEs continue to hold onto MIC rendering it unavailable to other LSEs. This could even be the case absent load migration. An LSE that no longer utilizes the intertie capacity to support import RA may still hold onto its allocated MIC. As we continue these discussions, it will be important to consider ways in which the unused MIC is made accessible and tradeable to others in a transparent and robust manner. One potential solution to addressing the unused MIC concern discussed above it to consider an additional mechanism or process after the initial allocation takes place. WPTF envisions this "post allocation" process could include an auction/release mechanism whereby unused MIC is made available to be acquired by other entities wanting to contract for import RA. WPTF understands that there is a process in place today that allows for bilateral trades, but believes its worth exploring other options that result in a more robust and transparent trading mechanism. Such a construct would help address the load migration concern as it could be a way to add some liquidity to the market and potentially prevent unused MIC from being effectively stranded. Therefore, as suggested in WPTF's previous comments, we continue to encourage the CAISO to consider including a process such as an auction mechanism for unused MIC.	Thank you for your suggestion. The CAISO has proposed a new alternative for multi-year allocation that addresses formation of new LSEs and load migration (see revised straw proposal alternative 2).

10. California Public Utilities Commission (CPUC)
Submitted by: Nick Dahlberg – Energy Division Staff

No	Comment Submitted	CAISO Response
10a	**General Comments** In our comments on the Issue Paper, staff recommended analyses of (1) whether (and how much of) unused MIC is associated with interties at which it is more difficult to contract, (2) the portion of real-time imports represented by RA import resources during the hours used to calculate MIC over the past few years, and (3) whether the hours used to calculate MIC coincided with the peak hours for real time RA imports (as opposed to real time imports overall) in those years. These analyses would be helpful in determining whether aspects of the current MIC calculation process that CAISO proposes to retain under the Straw Proposal (for example, calculating MIC primarily based off of historical flows) are still appropriate. Staff requests that CAISO include them in future iterations of the proposal under this stakeholder initiative.	At this time, the CAISO does not have the requested data in a format that can be publically shared. The CAISO is reviewing what data can be shared in a public forum and could make additional data available in the next rounds of stakeholder review process.
10b	**Comments on MIC Stabilization** Presuming that the current stakeholder process determines that it is still appropriate to calculate MIC using historical flow data – while preserving existing ETCs, TORs, and pre-RA commitments – then CAISO's proposal to include more years in the annual MIC calculation process seems reasonable and likely to increase stability of the MIC year over year. As noted in our comments on the Issue Paper, staff would find it useful to see how the overall MIC might have changed over the past few years if CAISO had instead used its proposed (four hours over five years) calculation method instead of the current (four hours over two years) method. Staff is concerned, however, that there are some interties where transacting is more difficult and that MIC may therefore be left unused at these interties. (A recent Energy Division staff report identifies multiple interties with unused MIC during September of 2019, and it is unclear that this was the result of simple economic decision making in all cases. The requested analyses in our general comments above would help address this question.) Staff agrees with Southern California Edison that it would be useful to explore calculating MIC – or distributing it among interties – based on the physical capacity available at more easily transactable interties (trading hubs) rather than based on average net imports at all interties. Before staff can fully support the MIC stabilization	CAISO expects the changes to the overall value of MIC (or branch group by branch group values) to be minimal due to this proposal; the intention was to "stabilize" to MIC value not change its magnitude. The RA usage of the allocated MIC is always bellow the maximum allocated value. The question is what confidence does the ISO and stakeholders have that RA contracts can be found, be retained under RA contract and most importantly accessed in real-time to serve CAISO load? For example two interties with the same real-time energy use let us say 100 MW each have an RA usage of 20% and 80% respectively. If CAISO understands the RA usage proposal correctly, would be to allocate 40 MW (not 100 MW) of MIC to first intertie and 160 MW (not 100 MW) to second intertie. Why would CAISO and stakeholders have

No	Comment Submitted	CAISO Response
	proposal, staff requests that CAISO consider this option for MIC calculation at individual interties. For example, assume that there are two interties into the CAISO Balancing Authority Area (BAA): Tie A, with a path rating of 10,000 MW, and Tie B, with a path rating of 5,000 MW. Assume that for an upcoming year, CAISO calculates the MIC at Tie A as 7,000 MW and the MIC at Tie B as 2,000 MW, meaning the total MIC is 9,000 MW (less than the total physical capacity of 15,000 MW). Note that the MIC allocations at each tie represent average instantaneous historical flows but do not necessarily represent RA import capacity that was using a MIC allocation at the given intertie during peak hours. In other words, if it were difficult to transact at Tie B for some reason, it could be that very little MIC is being used at Tie B, even if energy is flowing. If it is physically possible for Tie A to sustain a power flow of 10,000 MW, why couldn't the total 9,000 MW MIC for both Tie A and Tie B be allocated to Tie A in this scenario? This would allow LSEs to sign contracts for energy delivered at Tie A, up to the average level of instantaneous historical energy flows into California and without exceeding the path rating of Tie A, even if some energy physically enters the CAISO Balancing Authority Area (BAA) at Tie B in real time. Staff recognizes that this is a complex question that may involve additional power flow studies. However, it does not seem vastly different from the current process of preserving exiting contracts and transmission rights at certain interties above and beyond average instantaneous historical flows and running power flow studies afterwards to ensure the final calculated MIC is physically achievable.	a higher confidence that 160 MW of RA contracts can be signed at accessed in real-time from second intertie, when real-time schedules show 100 MW and RA showing show 80 MW, versus first intertie, now with a 40 MW MIC allocation, with real-time schedules of 100 MW and RA of 20 MW? ISO believes that there is a much higher likelihood resources exist and are available for RA contracts for an additional 60 MWs at the first intertie (with lower RA usage) than at the second intertie (with higher RA usage) – because these resources were already scheduled and used by the California LSE. MIC represents deliverability at each individual intertie point (scheduling point or node). Generally, each individual scheduling point (node) has its own deliverability constraints and that deliverability cannot be exchanged or traded for deliverability at another intertie point (node). Similarly, CAISO Tariff allows deliverability transfer among co-owned resources at the same node or bus, however deliverability transfer is not allowed among any resources connected at different buses or nodes.
10c	**Comments on Multiyear Allocation** As identified in our earlier comments, staff continues to believe that allocation to Load Serving Entities (LSE) is an appropriate first principle of the MIC allocation process. Accordingly, staff appreciates that CAISO's Straw Proposal supports allocation to LSEs and characterizes an auction mechanism as out of scope for the current stakeholder initiative. Staff also believes that CAISO's proposed change to the Remaining Import Capability allocation process seems reasonable and should enable LSEs to receive a MIC allocation that is more fair (on the basis of load ratio shares) than the allocations produced under the current allocation method.	Thank you for your support.

No	Comment Submitted	CAISO Response
	As outlined in Energy Division's recent staff report, staff is concerned that many existing RA import contracts are not structured to provide reliable energy to California when needed. Staff believes that the allocation process outlined in the Straw Proposal may enable LSEs to sign multi-year contracts that do not enhance reliability and to use these contracts for up to two years before they need to show the contracts to CAISO (in order to "lock" a three-year-ahead MIC allocation). For example, if an LSE has a year-ahead MIC allocation of 100 MW (and thus a three-year-ahead MIC allocation of 80 MW), it could potentially sign a three-year, 80 MW contract before Year 1 begins and use this contact in Year 1 and Year 2 before having to show it to the CAISO to "lock" the Year 3 allocation. Furthermore, it appears that CAISO will only be checking whether the LSE has a contract before Year 3 but not what type of resource is behind the contract. This means that even if the LSE's intention was to secure a contract whose term starts in Year 3 (i.e. the LSE would not use the contract in the intervening years), CAISO would not necessarily vet the resource behind the contract. Import RA is scoped into the current RA proceeding (R.19-11-009), so staff is unable to fully support a multi-year MIC allocation until the CPUC proceeding clarifies import RA rules. However, based on staff's understanding of current CPUC import rules, staff believes that an LSE should not be able to use a multi-year import RA contract – or to secure any portion of a multi-year MIC allocation using such a contract – unless the associated import resource is a pseudo-tied resource or a resource-specific dynamically scheduled system resource. Notably, these are the import resources anticipated in the Integrated Resource Plan short term procurement decision (D.19-11-016). With regard to encouraging the development of new out-of-state resources, staff agrees with Pacific Gas and Electric Company that "[t]he CAISO should develop mechanisms that will ensure capacity built outside California to support CAISO load will be available and accessible to California on the same basis [as] RA capacity in the CAISO balancing area is available to the CAISO." Assuming RA import rules were resolved, staff does have comments on other aspects of the Straw Proposal. Staff could support CAISO allocating at most 75% of an LSE's year-ahead MIC in the three-year-ahead timeframe, on the branch group level. Based on CAISO's analysis, this percentage (or whichever percentage were eventually selected) should enable LSEs to secure some	CAISO has proposed a new alternative for multi-year allocation that largely follows these suggestions (see revised straw proposal alternative 2).

No	Comment Submitted	CAISO Response
	longer-term contracts while providing berth to cover most swings in system RA requirements that do not involve losing load to a newly formed LSE. Staff strongly believes that basing MIC allocations on load ratio shares is the most equitable process because it provides LSEs the opportunity to meet their system RA requirements with imports in proportion to the amount that their customers pay for access to the transmission system. LSEs should be provided the choice of whether to make use of that allocation or to sell it. Staff recognizes that one goal of the current stakeholder initiative is to enable longer-term contracting for imports and that the current MIC allocation process protects existing transmission rights and pre-RA commitments. Nevertheless, staff believes that contracting should generally follow MIC allocation, not the other way around. Consequently, staff does not believe that CAISO should tie multi-year MIC allocations to contracts and strongly opposes CAISO's proposal to "lock in" MIC allocations. CAISO's proposal would enable some LSEs to sign multi-year contracts that exceed their load ratio shares in later years and "lock in" disproportionately high levels of MIC, thereby denying other LSEs the opportunity to use or dispose of their proportional allocations as they choose. This would be an even greater problem if the RA import contracts locking MIC were associated with resources that do not enhance reliability in California. It is more appropriate for the MIC allocation process to mirror load ratio shares to the greatest extent possible up front and for LSEs to subsequently purchase additional MIC from other LSEs if the former would like to rely on proportionately higher levels of imports (assuming accordance with CPUC RA rules). Accordingly, staff believes that if an LSE's year-ahead recalculated allocation falls beneath the three-year-ahead allocation, the LSE should forfeit the MIC above the year-ahead allocation. If the LSE has signed three-year-ahead (or multi-year) contracts in excess of its year-ahead allocation, it must choose which portions of which branch group allocations it will forfeit and communicate these choices to CAISO. Staff does not currently have an opinion on how much (if any) capacity should be available for contracts with terms up to twenty years but suggests that such contracts also would not be able to lock MIC above a recalculated year-ahead allocation. In all cases, CAISO should only focus on MIC allocations and should not focus on requiring LSEs to renegotiate, terminate, or transfer contracts. LSEs and their counterparties should be able to	

No	Comment Submitted	CAISO Response
	structure contracts in ways that respond to CPUC and CAISO rules and that account for the risk of losing MIC allocations. To the extent the capacity of three-year-ahead contracts signed by the time of the year-ahead allocation falls beneath the LSE's recalculated year-ahead allocation, staff does support allowing an LSE to automatically secure the capacity on the branch groups that were assigned earlier, in the associated three-year-ahead MIC allocation process. This would require a year-ahead MIC calculation process under which CAISO first calculates the MIC without protecting three-year-ahead contracts (as it would existing ETCs, TORs, or pre-RA commitments), communicates the "first-round" allocations to LSEs that have secured three-year-ahead contracts whose combined capacity exceeds the "first round" allocation, receives those LSEs' forfeit choices, and then locks all (unadjusted and re-adjusted) three-year-ahead allocations that are linked to contracts on their associated branch groups during Step 5. Staff agrees with CAISO that any portion of a contract should be able to count towards a secured allocation, which would enable LSEs greater flexibility in choosing which MIC to forfeit in situations where they must do so.	