Maximum Import Capability Enhancements Revised Straw Proposal

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Stakeholder Call

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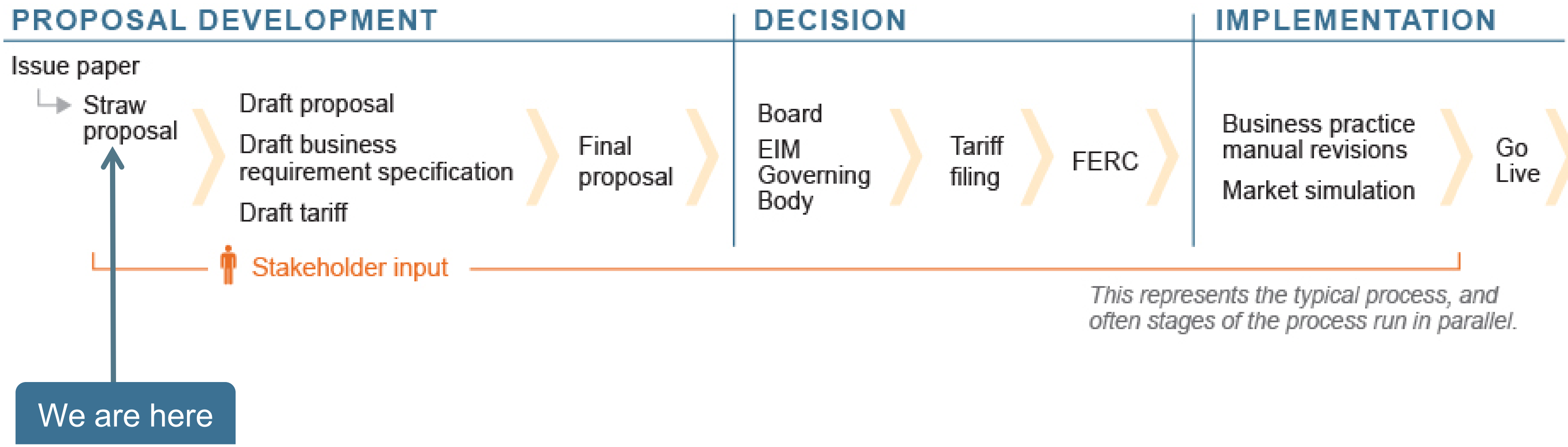
CAISO Policy Initiative Stakeholder Process



Agenda

- Introduction and references
- Purpose of stakeholder initiative
- Stakeholder comments received after the Straw Proposal
- Improving transparency
- Maximum Import Capability expansion and expansion requests
- Step 13 - Give priority to existing RA contracts
- Tariff and Reliability Requirements BPM alignment of terms
- Items for future exploration
- Open Discussion
- Initiative schedule
- Next Steps

Introduction

- Maximum Import Capability (MIC)
  - Represents a quantity in MWs determined by the CAISO to be simultaneously deliverable to the aggregate of load in the CAISO Balancing Authority Area (BAA).
  - ISO tests both the deliverability of internal resources and the deliverability of imports, to ensure all Resource Adequacy (RA) resources are simultaneously deliverable.
  - Load Serving Entities (LSEs) RA import showings are limited for each intertie to its share of MIC.
  - Calculated yearly by the ISO.
  - Allocated yearly by the ISO to LSEs.

References:

ISO Tariff Section 40.4.6.2:

http://www.caiso.com/Documents/Section40-ResourceAdequacyDemonstration-SCs-CAISOBAA-asof-Sep28-2019.pdf

Reliability Requirements BPM section 6.1.3.5 & Exhibit A-3:

https://bpmcm.caiso.com/BPM%20Document%20Library/Reliability%20Requirements/BPM%20for%20Reliability%20Requirements%20Version%2045.docx

Purpose of stakeholder initiative

- Explore and discuss stakeholder concerns and suggested improvements to either the calculation, allocation, trading or tracking of MIC during the RA process.
- In order to be implemented in the 2023 RA year it requires FERC approval of new Tariff along with BPM changes by June 1, 2022.

Stakeholder Comments regarding the Straw Proposal

- After the May 13 stakeholder call regarding the Straw Proposal the ISO has received 10 sets of stakeholder comments (some on behalf of multiple stakeholders).
- Comments received are summarized in the next two slides.
- Based on the comments received ISO will:
  - Move forward with 4 items
  - Not move forward with 3 items
    - Further explore 1 item

Stakeholder comments align - moving forward with:

1. Additional transparency during the allocation and trading process and especially to the ownership and usage (after the allocation process ends).
2. Education and potential improvements regarding expansion of maximum import capability (import deliverability) overall and at the branch group (BG) level.
3. Proposed improvements to step 13 of the allocation process.
4. Clarifications and clean-up of language in the Tariff and Business Practice Manual regarding standard use of two decimal places.

Stakeholder comments diverge – not moving forward with:

1. Conduct deliverability studies at the end of the RA showings process.
2. Incorporate an auction or other market based mechanism into the assignment process.
3. Recapture and then release the unused MIC allocations.

Further exploration - mostly positive comments however they failed to improve the technical shortcomings required for implementation:

1. Potentially augmenting MIC calculation to account for “liquidity”.

Improving transparency

Making the following data publically available through a web interface (or publishing):

1. Identifying the most-up-to-date owners of all MIC allocations at the branch group level (including total MW quantity, contact person, “MWs available for trade”, etc.). If possible this improvement will be facilitated directly in Customer Interface for Resource Adequacy (CIRA).
2. Provide aggregate usage by branch group level after validation of each month ahead and year ahead RA showing. (Should the aggregation be by CPUC vs Non-CPUC jurisdictional LSEs or just a single aggregated number for all LSEs?)

Deliverability of imports and internal resources

- The ISO has provided during the Straw Proposal, at stakeholders' request, additional insight into the deliverability process and the interaction between internal resources and imports in order to support future improvements to the MIC process.
- Stakeholders generally had high marks for the deliverability review process.
- Please include in your comments additional educational topics you would like covered.

Maximum Import Capability Expansion

- Based on stakeholder comments received during the call as well as in writing this is a major topic that needs to be further explained and improved upon.
- Current process to increase Maximum Import Capability
  - Natural MIC expansion – lags actual schedules
    - Achieved when the “new schedule” at a given intertie is higher than the “old schedule” from a previous high year that was removed from the calculation.
  - Policy driven MIC expansion – forward looking
    - Achieved when the base CPUC portfolio includes RA resources outside the ISO that cannot be accommodated by the current Remaining Import Capability (unlocked portion of MIC).

Improvements to the current process

- Inclusion of contractual data from non-CPUC jurisdictional LSEs into the main portfolio:
  - Discrepancy between macroeconomic and renewable information data to estimate future contractual development vs. actual contracts signed by LSEs.
  - Solution is to have ISO collect such data and to make it available to the CPUC for preparation of the base portfolio.
- Future “state” and/or “renewable area” totals vs branch group split of actual RA import contracts:
  - The CPUC main portfolio is prepared years ahead of actual compliance and as such the exact scheduling branch groups are not known.
  - Self-correcting on a going forward basis if the LSEs first get the unlocked MIC at the desired branch group before signing new RA import contracts with dynamic scheduled or pseudo-tie resources.

MIC expansion requests (new)

- Stakeholders with legitimate reasons will be allowed to make such requests for MIC expansion:
  - Existing RA import contract (internal LSEs) – not already used as Pre-RA Import Commitment or New Use Import Commitment.
  - Owners of new transmission connecting to the ISO grid from an external Balancing Authority Area (BAA) – if not already covered under policy driven MIC expansion.
- The request to study a potential MIC increase does not convey any special rights during market scheduling, market operation or during the annual MIC allocation process for all upgrades paid for by all ratepayers.
- The request can result in an increase in MIC if and when deliverability is available.

MIC expansion requests (new) – cont.

- If deliverability is not available:
  - Request is denied
  - The original requestor(s) may choose to pay for a facility study (FS) that will specify what upgrades, including their cost, are required in order to facilitate the requested MIC expansion.
  - ISO will have the first choice to pursue upgrades, and eventually expand MIC, if it believes it is economic or in the best interest of all ratepayers and will reimburse the cost of the FS to requestor(s).
  - If the requestor(s) chooses to pay for the upgrades, without reimbursement, then the increase in MIC will be assigned to the requestor after the required facilities are in-service.
- Framework, process and rights to the customer-paid transmission upgrades, will be considered in the larger context of other current initiatives or potentially a new stakeholder initiative.

Step 13 - Give priority to existing RA contracts

ISO proposes to give “same day priority” to the step 13 unallocated Remaining Import Capability for LSEs with existing RA contracts.

- “Same day priority” would minimally slow down the annual allocation process.
- LSEs may use a Pre-RA Import Commitment or New Use Import Commitment only for MWs part that was denied the Pre-RA Import Commitment or New Use Import Commitment status.
- If two or more LSEs have RA contracts that exceed the amount left after step 12 on any given BG, then the assignment will go to the request received first (earliest) and so on until all MWs have been assigned. (Please specify in your comments if ratio of MW requested vs MW available is preferred over first come first served.)

Tariff and Reliability Requirements BPM alignment of terms

- Update Tariff and Reliability Requirements BPM language to be consistent with current approved practice.
- All RA requirements, transactions and showings are done to two decimal places.
- One example is language in section 40.4.6.2.2.2 that appears to limit bilateral MIC transfers to MW increments.

Change in methodology of calculation MIC

- There may be ways to improve the calculation by considering “liquidity” at certain branch group (hubs), or considering magnitude of RA showings etc.
- Challenges to overcome:
  - What it is and how to quantify “liquidity”?
  - Why would RA showings be a better estimate of import resources ready to serve aggregate of load then actual energy schedules?
  - Quantity of MIC is limited and if allocation on a certain branch group is going up another may have to go down
  - Most branch groups have already reached their deliverability limit, due to other ISO internal resources interconnecting in the same general area.

Not moving forward with:

- Conduct deliverability studies at the end of the RA showings process.
  - Could leave LSEs with stranded assets, has high ramification of CPM back-stop costs allocations, year ahead showings validation will take one month or longer, not possible to do in the month ahead process because studies take over one month to conduct.
- Incorporate an auction into the assignment process.
  - Diminishing availability of Remaining Import Capability after each LSE may exercise its right to lock RIC on multi-year bases at the branch group level, significant start-up and maintenance costs as well as complicated allocation/incentives of auction revenues.
- Recapture and then release the unused MIC allocations.
  - Improved trading facilitated by the items proposed under improved transparency should mitigate most of the concerns around unused and untraded import capability.

Explore other stakeholder suggestions

General discussion

Initiative Schedule

- Post revised straw proposal – August 4
- Stakeholder meeting/call – August 11
- Straw proposal comments deadline – August 25
- Post Draft Final Proposal and Draft Tariff Language – September 13
- Stakeholder call – September 20
- Draft final proposal comments deadline – October 4
- Post Final Proposal – October 11
- Stakeholder call – October 18
- Board of Governors Meeting – November 3-4
- FERC filling after Board approval – Exact date TBD

Next Steps

- Comments due by end of day August 25, 2021
- Submit comments using the template provided on the initiative webpage located here: https://stakeholdercenter.caiso.com/StakeholderInitiatives/Maximum-import-capability-enhancements

Thank you for your participation.