



California ISO

Maximum Import Capability Enhancements - Issue Paper

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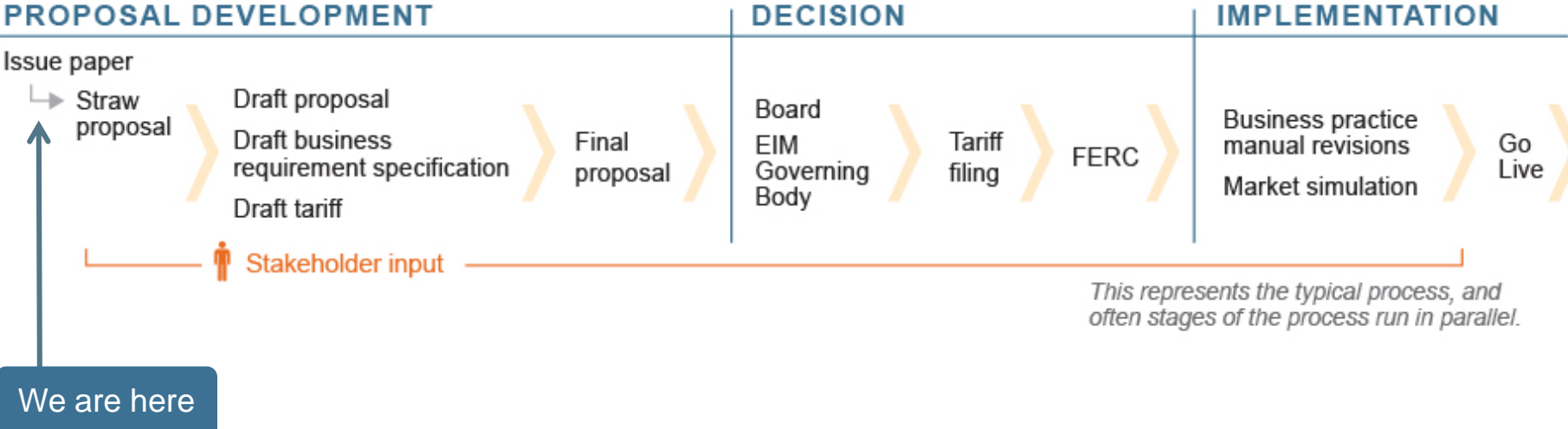
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Stakeholder Call

March 18, 2021

ISO Public

CAISO Policy Initiative Stakeholder Process



Agenda

- Introduction
- References
- Purpose of stakeholder initiative
- Discuss the calculation, assignment, trading and tracking of Maximum Import Capability through the RA process
- Open Discussion
- Review of wheel-through priorities and development of a process that would permit wheel-through transactions to reserve import capability and transmission across the ISO system
- 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.
- Development of a process that would permit wheel-through transactions to reserve import capability and transmission across the ISO system.
- Review of wheel-through priorities when accessing the ISO system.
- 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.

Maximum Import Capability Calculation

- Historically based
 - Select two hours in each of two years, with highest imports among the last five, and on different days within the same year, with the highest total import level when peak load was at least 90% of the annual system peak load. MIC values are based on the scheduled net import values for each intertie, plus the unused Existing Transmission Contract (ETC) rights and Transmission Ownership Rights (TOR), averaged over the four selected historical hours.
- Forward based
 - Assess Remaining Import Capability (RIC) after step 4 relative to target expended MIC values determined by the TPP portfolios.
 - If insufficient – expand MIC to accommodate new TPP portfolio along with existing ETC, TOR and Pre-RA Import Commitments.

Change in methodology of calculation MIC

- The ISO will not eliminate the MIC allocation process, because the total of physical capability of each intertie totals about 44,400 MW whereas MIC (deliverability for imports) is at around 15,500 MW.
- 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:
 - Quantity of MIC is limited and if allocation on a certain branch group is going up another has to go down
 - Most branch groups have already reached their deliverability limit, due to other ISO internal resources interconnecting in the same general area.

Conduct deliverability studies at the end of the RA showings process

- Certain stakeholders suggested that the ISO should run deliverability studies at the end of the RA process.
- Challenges to overcome:
 - Could leave LSEs with stranded assets
 - Have high ramification of CPM back-stop costs allocations regarding year ahead system RA
 - It will require far more time for year ahead showings validation
 - It is not possible to do in the month ahead process because deliverability studies take over one month to conduct.

Available Import Capability Assignment Process

- Available Import Capability represents the Maximum Import Capability of an Intertie into the CAISO Balancing Authority Area in MWs, deliverable to the CAISO Balancing Authority Area based on CAISO study criteria, minus the sum in MWs of all Existing Contracts and Transmission Ownership Rights over that Intertie held by load serving entities that do not serve Load within the CAISO Balancing Authority Area.
- The ISO assigns the total Available Import Capability on an annual basis for a one-year term to LSE SCs serving Load in CAISO's BAA through the 13 step allocation process detailed in the CAISO Tariff section 40.4.6.2.1.
- Currently, only used for determining the import capability that can be used by an LSE internal to the CAISO to count import system RA resources towards satisfying their total system RA requirements under CAISO Tariff section 40.

Auction and Trading platforms

- Incorporate an auction into the assignment process.
 - Provides alternatives for direct procurement of import capability above the load share ratio.
 - Could provide a more transparent and efficient procurement.
- Provide enhanced reassignment or trading of import capability.
- Challenges to overcome:
 - High cost of implementation
 - Equitable disbursement of auction revenues
 - Relatively small stakeholder interest in replacing current assignment with auction
 - Low usage of trading opportunities

Recapture and then release the unused MIC allocations

- Certain stakeholders suggest that unused allocations (after the month ahead) should be recaptured and released to other LSE.
- Generally LSEs receive MIC allocations based on their load share ratio and use them in the year ahead time frame, in the month ahead timeframe or hold them for unit substitution (avoid RAIM penalty).
- Challenges to overcome:
 - Value of this property and proper compensation for recapture
 - Problematic before RAIM is eliminated, due to penalty
 - All LSEs need to be RA compliant by T-45, and this creates an incentive to come short in order to see if MIC gets released, else a new timeline for all RA showings needs to be envisioned by allocating time for MIC released every month before showings are final.

Explore other stakeholder suggestions

General discussion

Reservation of import capability and transmission for wheel-through transactions across CAISO system

- Arising out of recommendations made in the *Market Enhancements for Summer 2021 Readiness* initiative.
 - Currently, no forward based process exists to determine if wheel-through schedules and RA import schedules are simultaneously feasible.
- Scope:
 - Development of a process that identifies and releases import capability not already utilized by RA imports.
 - Development of a simultaneous feasibility test that equitably accesses transmission across the CAISO system, including for wheel-through transactions.
 - Review scheduling priority for wheel-through transactions with reserved import capability and transmission across the CAISO system.



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Open discussion

Initiative Schedule

- Post issue paper – March 11, 2021
- Stakeholder call – March 18
- Issue paper comments deadline – April 1
- Post straw proposal – May 6
- Stakeholder meeting – May 13
- Straw proposal comments deadline – May 27
- Post revised straw proposal – June 24
- Stakeholder meeting/call – July 1
- Straw proposal comments deadline – July 15
- Post draft final proposal – September 1
- Stakeholder call – September 8
- Draft final proposal comments deadline – September 22
- Board of Governors Meeting – November
- FERC filing after Board approval – Exact date TBD

Next Steps

- Comments due by end of day April 1, 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.