California ISO

Stakeholder Comments Template

Maximum Import Capability Stabilization and Multi-year Allocation

This template has been created for submission of stakeholder comments on the Maximum import capability stabilization and multi-year allocation second revised straw proposal that was published on May 21, 2020. The paper, stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at: http://www.caiso.com/StakeholderProcesses/Maximum-import-capability-stabilization-multi-year-allocation.

Upon completion of this template, please submit it to regionaltransmission@caiso.com. Submissions are requested by close of business on **June 11, 2020**.

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

On the element of Maximum Import Capability (MIC) Stabilization of the CAISO Proposal, SCE **supports with caveats** that viable alternatives must be explored in the meantime while a quick fix is being deployed (i.e., looking at the prior five years data instead of the prior two years data). On the Multi-year Allocation element, SCE **opposes with caveats** that the CAISO should implement multi-year allocation *after* a multi-year system RA requirement has been established by CPUC/LRAs to avoid potential complexities introduced by the proposal.

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

1. Maximum Import Capability Stabilization

Please provide your organization's feedback on the maximum import capability stabilization topic as described in section 5.1. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Please provide additional details to explain your organization's position and include supporting examples if applicable:

SCE supports development of a methodology to stabilize the MIC values. SCE continues to believe that the MIC amount should be closely aligned with the physical capability of the grid.

The CAISO's proposal of extending the time window of evaluating historical schedules, i.e., from the past two years to the two highest years among the past five years, will likely lead to incremental improvements over the existing methodology. However, given that the trend of declining MIC amounts has been observed at least over the past seven years for which a study was conducted[1], by simply extending the time window of historical schedules, it is unlikely that the proposal will adequately achieve the goal of stabilizing MIC amount.

SCE continues to believe that the MIC amount should be closely aligned with the physical capability of the grid so that it does not artificially restrict import RA. While SCE supports the CAISO proposal and its implementation for the upcoming RA year, SCE requests the CAISO continue to explore viable alternatives that can result in more appropriate MIC allocation and serve potential RA needs better. This is an important topic as the supply condition is expected to get tighter and imports can be a critical component in meeting the net load peak in coming years.

SCE recommends that the CAISO and stakeholders explore viable alternatives through this on-going stakeholder process. SCE has suggested an approach that would consider LSEs' RA needs in the MIC allocation process, as described below.

> *The CAISO and stakeholders should explore an alternative approach that is based on the physical capability of the grid, i.e., the transfer capability of interties. LSEs can nominate or submit requests not exceeding the transfer capability of an intertie. To validate and grant the requested capacity, a simulation study can be performed if needed to ensure the granted capacity will not exceed the maximum import level of each intertie that is viable; the simulation should consider the viable, maximum import capability for each intertie (i.e., the MIC value for each intertie) by studying different scenarios under different grid and supply conditions. Under this alternative approach, the MIC will still be allocated based on LSEs' load share ratio.*

Similarly, the CAISO has indicated a future enhancement could be "centered around actual new RA contracts available at each individual branch group vs. the total available MIC for the same branch group"[2]. The enhancement appears to be aligned with the approach suggested above in that under the approach suggested by SCE,

[1] The CAISO Proposal, Table 1, at 3.
[2] The CAISO Proposal, at 22.

LSEs can submit requests, based on actual RA use or RA contracts, that would then be validated and analyzed by the CAISO. SCE requests that in the next iteration of the stakeholder process, the CAISO elaborate the enhancement contemplated by the CAISO, as well as other viable alternatives submitted by the stakeholders.

2. Available Import Capability Multi-Year Allocation Process

Please provide your organization's feedback on the available import capability multi-year allocation process topic as described in section 5.2. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Please provide additional details to explain your organization's position and include supporting examples if applicable:

As mentioned in previous SCE comments[3], 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. Since those specifics are currently unavailable, the topic of multi-year MIC allocation should be revisited upon further understanding of a multi-year forward requirement for system and flex.

Aside from the general comment offered above, SCE submits the following specific comments on the simplified Alternative 2 proposal[4]. SCE believes that the simplified Alternative 2 proposal is preferable than the Alternative 1 proposal and administratively simpler than the original Alternative 2 proposal. However, SCE continues to find the simplified Alternative 2 proposal may not sufficiently address load migration issues, as described below.

During the May 28, 2020 stakeholder call, the CAISO staff stated that a multi-year MIC lock up amount would be restricted by the LSE's load share ratio at the system level (i.e., not at the branch group level), and that if cuts are required from one year to the next, the LSE with the existing lock would choose what contracts (branch groups) they will release, i.e., per the contract priority curtailment order determined by the LSE. The approach of applying load share ratios at the system level, as proposed by the CAISO, seems to ignore the potential that some branch groups can be at a higher demand than others in using the corresponding MIC to meet RA needs. In particular, it's possible that once a significant portion of the capacity of those branch groups is locked up by long-term MIC, they will essentially not be available for annual allocation to other LSEs, even if those LSEs who locked up the capacity lose load, as long as the locked up amount is below their load share ratio at *the system level*. Put differently, the approach applying load share ratios at the system level will place a

[3] SCE Comments on Straw Proposal, available at http://www.caiso.com/InitiativeDocuments/SCEComments-MaximumImportCapabilityStabilization-Multi-YearAllocation-StrawProposal.pdf.
[4] The CAISO Proposal, at 24-26.

higher priority on multi-year RA contracts to those contracts that show up in the annual MIC allocation process.

This approach also appears to be inconsistent with the approach used in the annual MIC allocation (e.g., the proposed Step 5 in the MIC allocation), which applies LSEs' load share ratio at the branch group level. The inconsistency would lead to unnecessary complexity and confusion because the annual allocation would distribute MIC based on load share ratios at the branch group level while the multi-year lock up amount would be determined based on the same load share ratios but applied at the system level.

Finally, this same issue was addressed in the implementation of Congestion Revenue Rights (CRR) in a manner that is very different from this approach. That is, in CRR space, any loss of load results in a pro-rata share of all CRRs allocated to that load losing LSE including both short term (one year or less) and long-term (10 year rights) equally. During the development of this process, the philosophy was that the rights to the transmission grid belong to the customers that pay for the grid. Since those customers would not be direct holders of the rights, the Load Serving Entity would serve as the proxy for those customers. In the event that load moved between LSEs, the rights would transfer to follow the load that paid for the availability of the right. This process recognized that the CRR that is transferred may not match the portfolio of resources owned by the load gaining LSE but that the value none-the-less should transfer. SCE does not see that the MIC process is significantly different from the CRR process such that a load losing entity would be enabled to continue to have preferential treatment of MIC that has been allocated when any load has migrated even if it does not take the LSE below its load ratio share. Effectively, such a process would claim that the MIC was obtained for a subset of load from an LSE and there is no rational for asserting such.

Given the reasons described above, the CAISO should revisit its proposed policy in the application of load share ratios in the multi-year/long-term MIC allocation process. SCE recommends that the CAISO should consider a mechanism similar to the mechanism used in the CRR process[5], or other viable mechanisms, that results more equitable allocation among LSEs.

Additional comments

Please offer any other feedback your organization would like to provide on the Maximum import capability stabilization and multi-year allocation revised straw proposal.

[5] The CAISO BPM for CRRs, Chapter 7.4