

Stakeholder Comments – Maximum Import Capability Stabilization and Multi-Year Allocation Straw Proposal

Submitted by	Company	Date Submitted
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SCE appreciates the opportunity to provide comments on the CAISO Maximum Import Capability (MIC) Stabilization and Multi-Year Allocation Straw Proposal (the Straw Proposal)¹.

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 2019². 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 value³. 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.

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

¹ The CAISO Maximum Import Capability (MIC) Stabilization and Multi-Year Allocation Straw Proposal, dated Jan 22, 2020, available at <http://www.caiso.com/InitiativeDocuments/StrawProposal-MaximumImportCapabilityStabilization-Multi-YearAllocation.pdf>.

² The Proposal, at 3.

³ The MIC for each intertie will not exceed the transmission limit at the intertie.

Proposal 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 process⁴, 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).

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.

⁴ CAISO BPM for CRRs, Chapter 7.4.