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 revised straw proposal that was published on March 12, 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 **April 2, 2019**.

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 revised straw proposal:

☐ Support
☒ Support w/ caveats
☐ Oppose
☐ Oppose w/ caveats
☐ No position

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 4.1. Please explain your rationale and include examples if applicable.

SDG&E appreciates the CAISO's interest in stabilizing the maximum import capability (MIC). SDG&E supports the CAISO's MIC stabilization proposal because the CAISO has stated that "any new proposals will not be implementable for RA year 2021."[1] Therefore,

[1] CAISO Proposal, p 17

when comparing the options of no changes to some potentially beneficial changes, SDG&E supports the latter option. SDG&E's support is based on SDG&E's understanding of how the highest actual imports over four hours among the past five years. This is different than the current methodology in that the data set is picked among the past two years and the maximum amount of simultaneous energy schedules. SDG&E requests the CAISO to clarify if the terms highest actual imports in the proposal is the same as the simultaneous energy schedules in the current methodology. Assuming these terms are the same, SDG&E estimated the year over year change using the data provided in the CAISO's proposal.

MIC RA Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Maximum Import Capability	16838	15819	16455	17,486	16,228	15,755	15,221	14,852	15,208	15,524
ETC and TOR held by non-CAISO LSEs	4,090	4,090	4,090	4,090	4,090	4,090	4,211	4,511	5,015	5,015
Available Import Capability for CAISO Resource Adequacy purposes	12,748	11,729	12,365	13,396	12,138	11,665	11,310	10,341	10,193	10,753
Total Pre-RA Import Commitments and ETC	6,047	6,047	6,047	6,047	5,426	5,256	4,736	4,628	4,306	4,239
Remaining Import Capability - less all ETC and TOR	6,701	5,682	6,318	7,348	6,712	6,409	6,574	5,713	5,888	6,515
Year over Year Change of MIC		-6%	4%	6%	-7%	-3%	-3%	-2%	2%	2%
					Proposed Import Capability	13,072	12,881	12,881	12,767	11,902
					Proposed Maximum Import Capability	17,162	17,092	17,392	17,782	16,917
					Year over Year Change		0%	2%	2%	-5%

SDG&E would appreciate the CAISO validating the assumptions below for the table above and/or providing similar data to stakeholders prior to drafting changes to the business practice manual. First, SDG&E utilized the data from CAISO Table 1 and combined it with data from CAISO Table 3. This allowed for an estimation of the Available Import Capability for CAISO Resource Adequacy values for years 2011 through 2013. Then based on the CAISO proposal, SDG&E averaged the two highest years' Available Import Capacity of the rolling five year period. This was then added to the ETC and TORs held by non-CAISO LSEs to arrive at the proposed MIC. This is followed by the year over year change for years from 2016 through 2020.

Comparing the year over year change of the proposal to that of historical MIC available, the data does not seem to result in any greater stabilization than the current methodology because the year over year change in 2020 seem to be -5% while in the previous 2 years, the year over year change is +2%. However, the benefit is the MIC may increase from the current 15,524 MW to potentially 16,917 MW under the proposal. Therefore, SDG&E is supportive of the CAISO proposal if all of the above assumptions and results are correct.

While SDG&E has advocated for a methodology that is forward looking in other Resource Adequacy stakeholder initiatives, SDG&E understands the CAISO does not wish to consider such a proposal at this time. Therefore, SDG&E provides an alternative for consideration that may be as simple to implement for the 2021 RA year.

Rather than using the average of the two highest years in the past rolling five years, the Available Import Capability would be based on the highest historic value available. Based on the data provided in the table above or the CAISO Table 1, that value would be 13,396

MW. This value would then be augmented, by the future year available ETCs and TORs to arrive at the total actual MIC available. Based on the formula above, SDG&E believes the MIC for 2020 would be 18,411 MW (13,396 MW + 5,015 MW). Generally speaking, this methodology would stabilize MIC more than using a rolling historic average or the current method. The CAISO proposal does not provide any clear evidence that the transmission system is incapable of continuing to support the same import level from 2014. While less imports have come into the CAISO BAA since then due to various reasons, nothing suggests that the grid is incapable of supporting such levels. SDG&E believes the CAISO could validate this level in its deliverability studies that are performed several times a year. If at some point, actual imports increase, then the CAISO would study the simultaneous deliverability just as it proposes in its own method.

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 4.2. Please explain your rationale and include examples if applicable.

SDG&E recommends the CAISO to consider a long term auction mechanism that's limited to five years forward. The auction would be limited to 80 percent of future estimated MIC and be available to only LSEs. The remaining 20 percent would be made available to LSEs and market participants on a year ahead basis. The revenues from the auction would be used to offset the Transmission Area Charges that's currently allocated to all LSEs. Annually, LSEs could optimize their import capability through the CAISO's auction by buying from or selling to other LSEs. SDG&E recommends the auction mechanism over that of long term allocations.

In comparing between the CAISO alternative 1 and alternative 2, SDG&E's preference would be alternative 1 because it would offer an LSE with a long term import contract, some level of consistency to be able to count the import as RA in the future rather than having to apply and hope to receive such import capacity on an annual basis. However, SDG&E is concerned with the length of time to which the MIC is ear marked for a specific LSE with the CAISO not having any experience with such an approach. Particularly, if an LSE were to lock up the MIC for 20 years but then terminates the contract during the term, could the CAISO make the MIC available to other LSEs that also have long term contracts at the same delivery point but no MIC is available? SDG&E believes the CAISO's process should make such MIC available rather than hope or depend on the bilateral market to resolve this issue. Today's bilateral market for MIC is not strong and potentially strands import capability from other LSEs that could utilize it.

Therefore, SDG&E strongly recommends the CAISO to consider a long term auction mechanism for MIC.

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.