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
Brad Van Cleve	Valley Electric Association (VEA)	April 2, 2020

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.

VEA supports the CAISO proposal to use the two years with the highest imports among the past five years for purposes of calculating the Maximum Import Capability for the 2021 RA Year. For future years, the CAISO should implement a mechanism to provide for MIC allocations at intertie points that are used on an intermittent basis to

import power into the CAISO. VEA has interconnections with Western Area Power Administration (WAPA) at Amargosa Substation and Mead Substation and with NV Energy at Northwest Substation and Mercury Substation. The CAISO should study whether RA Capacity can be imported at Amargosa and Mercury, as well as whether MIC import capacity at Mead can be increased. Given its proximity to Hoover Dam, as well as utility scale solar developments in Southern Nevada, many imports at Mead come from high-quality – clean and shaped – renewable solar and hydro energy resources. In addition, the CAISO should implement a forward-looking mechanism to account for changes in operations and new generation and transmission facilities to predict future import capacity, rather than simply looking at historic imports over a five-year period.[1]

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.

VEA believes that the CAISO should adopt Alternative 1 – RA contracts always respected. The CAISO should seek to preserve the historic use of intertie capability for RA imports as reflected in long-term RA contracts, as well as encourage contracting for RA on a long-term basis.

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.

VEA joined the CASIO balancing authority area (BA) and became a load serving entity (LSE) in the CAISO in 2013, pursuant to the terms of a Transition Agreement with the CAISO, which was accepted by the Federal Energy Regulatory Commission on December 14, 2011. Cal. Indep. Sys. Operator Corp., 137 FERC ¶ 61,194 (2011). VEA is a rural electric distribution cooperative based in Pahrump, Nevada, which serves approximately 6,849 square miles of service territory in southern Nevada and a small portion of California. VEA is the only CAISO LSE located outside of California.

[1] The CAISO Revised Straw Proposal indicates (P. 9) that it expects that the CAISO will use TPP portfolios provided to the CAISO by state and federal agencies to mitigate the adverse impacts of its reverse looking MIC allocation methodology. However, VEA given its size, location and type of organization does not submit Integrated Resource Plans to California or federal agencies to inform the TPP portfolios. As a result, VEA and other similarly situated small LSEs will be disadvantaged by the MIC assessment process, if it does not consider their planned supplies as part of the CAISO's use of the TPP portfolios. This warrants the CAISO's direct consideration of resources plans of VEA and other small LSEs who are not represented within the TPP portfolios.

VEA owns no generating resources, and it traditionally has served its load through long-term power purchases delivered at WAPA's Mead 230 kV Substation. In recognition of this fact, the Transition Agreement provided that the CAISO would allocate/set aside 150 MWs of Mead RA import capability as "Pre-RA Commitments" under the resource adequacy import allocation rules provided in Section 40.4.6.2 of the CAISO Tariff, for a period of ten years. VEA's System RA obligation for 2020 is approximately 148 MW. Under the terms of the Transition Agreement, VEA's Mead import rights expire on January 3, 2023, the tenth anniversary of the Transition Date provided in the Transition Agreement.

Since joining the CAISO, VEA generally has continued to rely on long-term contracts delivered at Mead to provide the energy and capacity to serve its load, as well as meet its RA requirements. However, VEA also has delivered power at Amargosa, Mercury and Northwest when the Mead delivery point was constrained or unavailable.

On June 19, 2019, VEA entered into a 20-year contract for the purchase of unbundled energy, System RA Capacity and Flexible RA Capacity. The contract requires the supplier to identify the specific resource or resources providing System RA Capacity and Flexible RA Capacity each year prior to the date for submission of annual RA Plans. VEA understands from the supplier that it intends to supply the RA from a solar plus battery storage project under development adjacent to the Mead substation in the WAPA BA.

VEA wishes to ensure that this contract structure will qualify as a long-term resource for purposes of calculating the 3-year MIC allocation, and the related 20-year MIC lock. VEA believes that the contract meets the policy goals of the MIC multi-year allocation proposal, because it provides for a long-term RA resource, while providing the supplier the ability to use different, but specifically identified, RA Resources at the time of the annual showing each year. As a result, the actual RA product is just as firm as a contract that identifies a specific resource for a longer term. Given this firmness, it would be discriminatory to treat VEA's contract differently. In addition, VEA entered into the long-term agreement prior to the CAISO releasing the multi-year MIC allocation proposal. For these reasons, VEA requests that the multiyear MIC allocation and locking rules permit the use of long-term contracts that provide for the identification of specific RA resources on an annual basis at the time annual RA plans are due. In recent years, the bilateral market for RA capacity has seen minimal liquidity. As a result, it is important to allow for source flexibility in long-term contracts to encourage liquidity in long-term RA markets.

As noted above, VEA has a Pre-RA import allocation that will expire in 2023. Given the relatively small size of its native load, under a strict load share calculation, VEA could see a dramatic reduction in the amount of import capability at Mead using the proposed process for MIC allocation. VEA is unique due to its historic reliance on imports at Mead to serve its load, as well as its geographic location and direct connection to Mead via the 230 kV transmission line it constructed (now owned by GridLiance). Currently, VEA plans to use both the contract described above, as well

as its rights to long-term federal hydro power from Hoover Dam, the Parker Davis System, and the Colorado River Storage Project to meet its RA requirements. Accordingly, VEA would like to explore measures to mitigate the impact of moving directly to a MIC allocation based on the load share quantity formula provided in the CAISO Tariff. Otherwise, a large portion of VEA's carbon-free RA resources will be stranded outside the CAISO. While it is theoretically possible that VEA could purchase MIC allocations at Mead from third parties, that market is illiquid and MIC rights at Mead are held by a small number of LSEs. Another problem is that each year some MIC allocations go unused resulting in artificially low RA imports at Mead.

Finally, VEA is dynamically scheduling Hoover and is considering obtaining the ability to dynamically schedule some of its other external renewable RA Resources into the CAISO BA. The CAISO should revisit whether a process could be established to apply for full capacity deliverability of dynamically scheduled RA resources, especially if they are carbon free resources. This would allow California to avoid artificially limiting the import of carbon free resources due to MIC limitations.