



California ISO

Maximum Import Capability Stabilization and Multi-Year Allocation Issue Paper

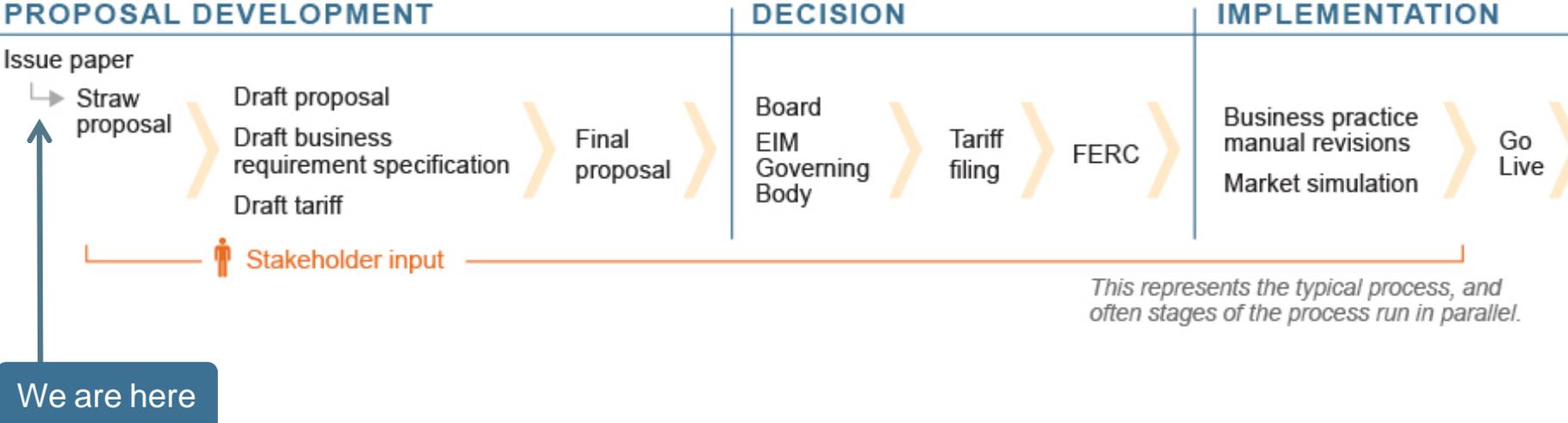
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Stakeholder Call

December 10, 2019

CAISO Policy Initiative Stakeholder Process



Agenda

- Introduction
- Purpose of stakeholder initiative
- References
- Short-term - proposed stabilization of Maximum Import Capability
- Long-term - proposed multi-year assignment process
- Previous Stakeholder Comments on MIC Process
- 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.

Purpose of stakeholder initiative

- Short-term - update the methodology used in the calculation of the simultaneous Maximum Import Capability (MIC) including its description in the CAISO Reliability Requirements Business Practice Manual (BPM) in order to achieve a greater stability of MIC overall allocations
- Long-term - update the annual nature of the MIC allocation process, as described in Tariff section 40.4.6.2 Deliverability of Imports, into a multi-year allocation process to accomplish numerous important objectives, the primary of which is the facilitation of long-term procurement of import resources and multi-year system Resource Adequacy (RA) requirements

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>

RA Import Capability Assignment Process

Step 1	Determine Maximum Import Capability (MIC)
	- Total ETC
	- Total ETC for non-ISO BAA Loads
Step 2	Available Import Capability
	- Total Import Capability to be shared
Step 3	Existing Contract Import Capability (ETC inside loads)
Step 4	Total Pre-RA Import Commitments & ETC
	- Remaining Import Capability after Step 4
Step 5	Allocate Remaining Import Capability by Load Share Ratio
Step 6	CAISO posts Assigned and Unassigned Capability per Steps 1-5
Step 7	CAISO notifies SCs of LSE Assignments
Step 8	Transfer [Trading] of Import Capability among LSEs or Market Participants
Step 9	Initial SC requests to ISO to Assign Remaining Import Capability by Intertie
Step 10	CAISO notifies SCs of LSE Assignments & posts unassigned Available Import Capability
Step 11	Secondary SC Request to ISO to Assign Remaining Import Capability by Intertie
Step 12	CAISO Notifies SCs of LSE Assignments & posts unassigned Available Import Capability
Step 13	SCs may submit requests for Balance of Year Unassigned Available Import Capability

Maximum Import Capability Calculation

- Historically based
 - Select two hours in each of the last two years, 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.

MIC Calculation Variability

- Currently dry hydro years can negatively impact MIC – potentially up to 50% of the time since only the last two years are used.
- Increasing dry hydro years have been observed potentially influenced by climate change.
- Potential increase in generation retirements is expected in California and across the West due to age of resources and desires to achieve higher environmental and renewable goals.
- Temporary decreases in MIC can almost immediately be filled in by internal resources already in the queue and if MIC values return in an year or two there will be unintended consequences for both the internal resources and MIC since now they cannot be simultaneously deliverable.

Maximum Import Capability Stabilization

- ISO desires to have more stable MIC values
 - Currently actual values in any one year get no protection, however they do influence the calculation in two different years.
 - Comparatively actual values for internal resources get protection of deliverability for 3 years.
- ISO would like to continue MIC protection for interties that are actually used by LSEs and does not envision a method that will not allow MIC to decrease at all for excessively long periods.
- In order to be implemented in the 2021 RA year it requires approved BPM changes by mid June 2020.

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.
- 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.

Current MIC Annual Allocation

- Current annual assignment process helps to facilitate the procurement of previously installed and available resources outside of the CAISO BAA elsewhere in WECC otherwise not committed to other BAAs.
- Potential increase in retirement of generation is expected in California and across the West due to age of resources and desires to achieve higher environmental and renewable goals.
- Current process does not encourage the building of new resources and may in fact be a barrier to the development of new external resources since new builds require multi-year contracts for financing.
- Current annual process does not provide LSEs with certainty that they could retain the same amount of RA import allocation on any particular intertie year over year.

Multi-Year Assignment Process

- ISO intends to move forward with multi-year available import capability assignment process that could facilitate long-term contracting (minimum 3-years) and encourage building of new resources dedicated to LSEs that serve load inside the ISO BAA, without unduly restricting entry of new LSEs in the future.
- In order to be implemented in the 2022 RA year it requires FERC approval of new Tariff along with BPM changes by mid June 2021.
- Import capability is assigned to ISO LSEs because those LSEs and their customers pay for the transmission system and should receive the benefits from it and therefore have the ability to select which external resources are procured and relied upon as part of RA capacity portfolios. The CAISO does not believe this paradigm should be revisited through this initiative and considers this out of scope.

Objective of Initiative

- Assures long-term RA contracting – minimum 3-years.
- Contracts entered into, while within a target % of LSEs load share ratio, will continue to get RA allocation for the life of the contract.
- Contracts entered into could be traded to other LSEs with and without the RA import allocation.
- Assures there is room for MIC values to change (both up and down).
- Assures new LSEs are not left without RA import allocations in future years.
- Current ETCs, TORs and Pre-RA Import Commitments are treated the same or better and new RA import allocation rules.
- Transparency of process and contractual rights.

Previous Stakeholder Comments on MIC Process

- 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.
- They both could augment the RA import allocations process, however given the significant challenges and requirements in creating such a market mechanism, and the purpose of this initiative to focus on more immediate concerns, these new mechanisms could result in unnecessary delay to mitigation of more pressing concerns.
- If there is high stakeholder interest they could be moved forward herein else they may be revisited at a later time.



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Open discussion

Initiative Schedule

- Post issue paper – December 3, 2019
- Stakeholder call – December 10
- Issue paper comments deadline – December 24
- Post straw proposal – January 23, 2020
- Stakeholder meeting – January 30
- Straw proposal comments deadline – February 13
- Post revised straw proposal – March 12
- Stakeholder meeting/call – March 19
- Straw proposal comments deadline – April 2
- Start BPM process for short-term MIC stabilization – April 9
- Post draft final proposal – April 30
- Stakeholder call – May 7
- Draft final proposal comments deadline – May 21
- Board of Governors Meeting – July 2020
- FERC filing after Board approval – Exact date TBD

Next Steps

- Stakeholder comments due by end of day December 24, 2019
 - Email comments to regionaltransmission@caiso.com
 - Stakeholder comments are to be submitted within two weeks after stakeholder meetings
 - ISO will post comments and responses on website

Thank you for your participation.