



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 draft final proposal that was published on July 14, 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 **August 4, 2020**.

Submitted by	Organization	Date Submitted
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The Sacramento Municipal Utility District (SMUD) provides the following comments on the CAISO's Maximum Import Capability (MIC) Stabilization and Multi-Year Allocation Second Draft Final Proposal, dated July 14, 2020 (Proposal). SMUD currently participates in the Energy Imbalance Market (EIM) and is an active participant in the CAISO's day-ahead and real-time markets. In addition to system reliability issues caused by changes to the Resource Adequacy (RA) structure, SMUD has an interest in this initiative as we look for potential opportunities to participate as an import intertie supplier in the CAISO RA market in the future.

SMUD reiterates its prior concerns with the CAISO's Proposal. While we appreciate the CAISO's efforts to improve the MIC process since the existing structure is outdated and overly restricts RA imports, the Proposal is a negligible improvement at best. During this initiative, SMUD has advocated for greater access to import RA and the removal of unreasonable barriers to stimulate use of, and investment in, import RA resources. However, the Proposal only makes incremental adjustments to the current 15-year old construct that does not reflect the looming capacity shortfall in California and the West, or the changing LSE landscape, and fails to provide adequate provisions to stimulate investments in RA located in BAs outside of the CAISO. And SMUD is not alone in its opposition to the Proposal; the majority of stakeholders do not support the CAISO's direction, similarly expressing concern that the Proposal does not make meaningful changes that embrace the potential for increased import RA to help reliability of the system.

SMUD encourages the CAISO to reconsider its Proposal and requests it make more substantial changes that align with the CAISO's stated purpose to enhance the RA market and increase import RA, such as eliminating MIC altogether or basing MIC on the total intertie capacity. Below, SMUD expresses its concerns with certain aspects of the Proposal which demonstrate the need for the CAISO to reassess the role of import RA and its application of MIC.

Please provide your organization's overall position on the Maximum Import Capability and Multi-year Allocation draft final 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 6.1. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

SMUD respects the challenges associated with implementing a forward looking, more physical capability-based approach to determine MIC. However, a purely historical-based approach discourages the potential development of resources outside of the CAISO BA to support CAISO load. The Proposal puts outside resources at a clear disadvantage, because they must demonstrate year(s) ahead of time that there is already energy flowing at an intertie to support the MIC calculation. This is a challenge, because without the increased MIC in the first place, resources at that intertie do not have the same obligation or incentives to provide capacity that allow for additional resources to be developed. The actual flows captured in the study process do not always represent the actual capability of the scheduling point because they are influenced by factors such as market dynamics, outages, planning of fuel supply, hydro and weather conditions during very specific hours of the year. By ignoring what could have physically flowed, along with using lagging feedback, it is not possible for an LSE to acquire the MIC it would need to capture the value of an outside resource providing capacity until years later, if ever.

For example, the CAISO's MIC rating for SMUD's Lake/Rancho Seco intertie is 62 MW for 2020. However, the actual summer transfer capacity of this intertie is rated at 1346 MW. If SMUD were to have available import capacity for the next RA year, it would only be able to sell a small fraction to an LSE even if it has the ability to transfer 1346 MW. This example demonstrates the illogical MIC treatment of interties that will negatively impact the RA market by raising costs to consumers and increasing reliability risk. Furthermore, potential import RA resources will be de-valued relative to internal resources, which could lead to less efficient outcomes such as discouraging external

resources from being developed or committed to CAISO load using existing transmission infrastructure.

Assuming the CAISO continues with its current Proposal trajectory, SMUD suggests exploring the incorporation of a process by which the MIC rating at a specific scheduling point may be increased based on additional studies that rely more on physical capability. Such an approach would provide the CAISO with increased access to external resources by:

- a) Accommodating the potential development of additional supply without sacrificing deliverability concerns; and*
- b) Allowing for LSEs/supply to correctly evaluate the efficient placement and routing of resources.*

Due to the challenges in creating a perfect MIC calculation methodology, external-BA resources must deal with restraints that do not reflect the actual physical capability of existing infrastructure. Having an avenue that mitigates this artificial constraint, at least allows external-BA resources to be evaluated closer on par with internal-BA resources that do not have the artificial MIC hurdle.

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

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 6.2. (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:

Additional comments

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