

Stakeholder Comments Template

Maximum Import Capability Stabilization and Multi-year Allocation

Upon completion of this template, please submit it to regionaltransmission@caiso.com.

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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 Straw Proposal, dated January 22, 2020 (Straw 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 over the interties. SMUD has an interest in this initiative as we look for potential opportunities to participate as a supplier in the CAISO Resource Adequacy (RA) market in the future.

1. Maximum Import Capability Stabilization

SMUD continues to support the CAISO’s efforts to update its MIC allocation to maximize import supply potential. SMUD believes the proposal to use the average of four hours during the prior five-year period is a measurable improvement over the current two hours over a two-year period. However, SMUD is concerned that this methodology still relies on historical usage and will not provide needed flexibility for changed circumstances. Forces such as historical prices can distort measurement periods such that they do not represent what the system is actually capable of delivering. For example RA prices were much lower a few years ago, providing no incentive for RA to be imported from outside the system. Abundant in-state hydro and high penetration of low variable cost resources such as renewables would limit the need for imported energy during these measurement periods as well. Future MIC capacity should align as much with the physical capability of the system and be as forward looking as possible. Accordingly, we recommend the CAISO incorporate a factor in the methodology that would look at potential future usage, such as construction of a new transmission line, upgrade of a line, or development of a new generating plant. This will give the CAISO a reasonable degree of flexibility to change the MIC to more accurately reflect the capability of the grid.

2. Available Import Capability Multi-Year Assignment Process

SMUD generally agrees with CAISO's proposal to establish a two-part allocation that allows a load serving entity (LSE) to lock in MIC for a certain long-term period, while retaining a percentage for the three-year and one-year timeframes. This recognizes the changing LSE landscape in California, with IOU load continuing to migrate to CCAs. The percentages identified in the Straw Proposal (80% for 3-year terms, and 60% for long-term up to 20-years), appear reasonable and supported by the data.

However, this does not seem to solve the CAISO's goal of making it easier for RA resources to be built outside of the CAISO Balancing Authority if an LSE needs to have a contract in place to qualify. LSEs are still taking a risk by signing a long-term contract if they do not already have the long-term MIC allocation. They also would not want to have their MIC allocation quantity locked in for the future if they do not have the resource contracted yet. The concern around an LSE losing load, losing contracts (by expiration or termination), and transferring contracts also needs to be addressed to avoid stranded or locked in MIC allocations that hurt other LSEs. Transferring contracts are part of a bi-lateral negotiation between two parties that does not involve the CAISO; therefore it would be challenging for the CAISO to monitor these changes and enforce any follow up actions. All this could lead to a more unfair and inefficient tie-up of MIC allocations. Additionally, SMUD questions whether it makes sense to require a selling LSE to retain the RA contract under its name throughout the three-year and one-year allocation process. This requirement seems too restrictive and counters the intent of the CAISO's proposal to provide flexibility to maximize RA import supply. Accurate and timely MIC allocations will drive new resource and contract development.

3. Additional comments

While we understand the CAISO is not pursuing a MIC auction mechanism at this time, SMUD wishes to express its continued support for an auction, or some other transparent mechanism, to ensure available MIC can be identified and purchased or otherwise exchanged among LSEs. This is an important component of the RA market and would prevent an LSE from unfairly monetizing the MIC allocation. SMUD looks forward to a future initiative that addresses a mechanism for identifying MIC availability for LSE purchase, reallocation, or exchange.

In addition, SMUD encourages the CAISO to continue to align its MIC process as closely as possible with the California Public Utilities Commission (CPUC) RA timeline. As the CAISO develops changes to its MIC allocation process, coordination with the CPUC becomes even more important given the changes in the RA market and continued load migration.