

Southwestern Power Group Comments on CAISO MIC Stabilization Straw Proposal

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Southwestern Power Group (SWPG) appreciates the opportunity to submit comments in response to the CAISO's MIC stabilization Straw Proposal dated January 22, 2020 and the discussion held at the January 29, 2020 stakeholder meeting. SWPG is developing the SunZia Southwest Transmission Project, and in conjunction with its tenant Pattern Energy Group II, LP (Pattern), will provide delivery of wind energy from New Mexico (NM) to the CAISO. Pattern currently has executed power purchase agreements with California LSEs for firm deliveries of resource-specific energy and RA capacity, and they are continuing to market additional NM wind PPAs with LSEs. This issue is critical to the ability to ensure LSEs receive the wind energy and its attributes at the most cost-effective prices by minimizing risks associated with counting the imported wind toward Resource Adequacy (RA) requirements. SWPG strongly appreciates the CAISO's efforts to quickly address aspects of the MIC allocation that currently create risks for such contracting.

SWPG generally supports many of the policy elements proposed by the CAISO. Continued allocation based on load share is reasonable. A three-year term coupled with a 20-year lock seems reasonable, and the time to lock seems reasonable. SWPG also finds reasonable the CAISO's proposed ability for an LSE to partially lock allocated long-term amounts if their contracting quantities are less than the allocated amounts. SWPG offers other comments below.

1. SWPG strongly supports increasing transparency associated with the availability of MIC at CAISO Interties

The CAISO has proposed to increase transparency by making public information related to MIC LSEs hold as well as locked amounts by individual branch groups.¹ Increased transparency is critical to adding liquidity to what otherwise may be underutilized MIC, especially in light of the CAISO's position to delay considering an auction mechanism at this time. In addition to posting this information as the CAISO has proposed, SWPG requests that the CAISO also release data about the MIC availability and utilization by tie. This request was made at the CAISO's January 29 meeting. The CPUC recently released a report which indicated that, even in peak conditions, there are over 4,000 MWs of unused MIC capacity.² However, the report does not provide MIC utilization by intertie branch group. SWPG is concerned that while in aggregated there may available import capability, that certain interties may be close to fully subscribed. SWPG requests that that CAISO provide the information represented in the CPUC report but

¹ CAISO MIC Straw Proposal, January 22, 2020, p. 14.

² The State of the Resource Adequacy Market – Revised, CPUC, January 13, 2019, Table 25, p. 39.

on a tie-specific basis. Data for such a release could still be aggregated over LSEs such that there should be no commercial interest concerns. Providing that information at this time will help inform stakeholders and the CPUC about whether there is a scarcity of MIC at certain locations.

2. Multi-Year MIC should not be Dependent Upon a Multi-Year RA Product

The lack of multi-year MIC mechanisms hampers contracting even for one-year RA deals. It has done so for years and will continue to do so as long as LSEs face risks each year that they will not be awarded the MIC they need for a long-term arrangement. SCE expressed a concern that the CAISO may be “front running” the CPUC’s multi-year RA product policy. SWPG respectfully disagrees; the CAISO should continue with the implementation of a multi-year mechanism regardless of the pace with which the CPUC moves forward with a multi-year RA product.

3. CAISO Should Allow for Adjustments to the IRP Portfolio for Purposes of MIC Locking

The CAISO has proposed that the IRP portfolio determine future MIC needs.³ This element of the CAISO proposal, however, is problematic because the amount of out-of-state (OOS) renewables in the CPUC portfolios may not reflect all the out of state renewables LSEs have contracted for. In the initial IRP cycles, the CPUC has made policy choices of whether to include certain OOS renewables. Some portfolios passed to the CAISO include zero additional OOS renewables of certain technologies. For the CAISO to use this information strictly would be problematic. Further, in SPWG’s experience not all executed contracts with California LSEs are accurately captured in the portfolios despite efforts by parties to have the CPUC recognize the contracts. Pattern has already developed and built the 324 MW Broadview and 220 MW Grady New Mexico wind projects which both currently deliver to California LSEs.⁴ The Baseline does not yet include these contracts, and this is impetus for SWPG’s concern about possible disconnects between the CPUC portfolios and deliveries already contracted for by LSEs.”

The CAISO should afford a mechanism such that in cases such as this, a party can demonstrate that they have legitimate renewables expected to flow into the CAISO that are not captured in the portfolio. Upon such a demonstration and confirmation by the CAISO, the CAISO should update the expected imports to improve the accuracy of the presumed imported amounts.

4. SWPG Suggests that the CAISO Reconsider its Proposal that a “lock” is permanent irrespective of substantive load migration

SWPG appreciates the CAISO’s recommendation to provide stability and not to have LSEs lose locked MIC allocations for exogenous fluctuations in load forecasts for example. However, SWPG does not find the CAISO proposal to make all locks fixed with the locking LSE to be an equitable policy design. Especially under conditions of load migration, SWPG encourages the CAISO to see the locked MIC as

³ Straw Proposal, p. 9.

⁴ See <https://renewablesnow.com/news/pattern-development-starts-ops-at-220-mw-grady-wind-in-new-mexico-667807> and <https://www.windpowerengineering.com/pattern-energy-acquires-new-mexicos-324-mwbroadview-wind-transmission-line-project/>.

something that would stay with the contract or with the load for example; having the lock stay with an LSE that is losing significant levels of load would not, in SWPG's opinion, result in efficient market design.

SWPG appreciates the CAISO's consideration of these comments.