

Western Power Trading Forum on the CAISO's Maximum Import Capability Stabilization and Multi-year Allocation Straw Proposal

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The Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country.

Summary

WPTF appreciates the opportunity to submit these comments on the CAISO's Maximum Import Capability (MIC) Stabilization and Multi-year Allocation Straw Proposal discussed on the January 29, 2020 stakeholder call. WPTF continues to be supportive of the CAISO's proposal to modify its existing one-year MIC allocation process with a multi-year allocation. We appreciate the CAISO's attention to enhance the existing framework in such a way to incent longer term contracting for import RA. This comes at a critical time as the CAISO faces potential capacity shortfalls; WPTF views a multi-year MIC allocation as a significant step forward in developing an efficient way to help address the shortfalls.

WPTF's brief comments below provide the CAISO with additional considerations to further enhance some of the proposal elements with the goal in mind of creating an efficient and transparent methodology for allocating MIC that further helps achieve the objectives of this policy process. As stakeholder discussions continue it is key that we keep in mind that one of the goals of this effort is to facilitate and incent contracting for import RA; to that end the resulting policy should take care to not unintentionally restrict the ability for entities to contract for RA imports.

Detailed Comments

Transparency. Transparency in a competitive market environment helps further improve and promote market efficiencies. WPTF appreciates and strongly supports the CAISO's proposal element to continue publicly posting information regarding LSE holders and locked up amounts. Having this information publicly available is extremely valuable. To that end, WPTF encourages the CAISO to consider posting the information earlier than is done today so LSEs will have more time to transact before the RA filing deadline.

Post Allocation Mechanism. WPTF understands the rationale provided for LSEs to have the ability to "lock up" MIC to cover longer term RA contracts. However, as discussed on the

stakeholder call, there was concern with regards about handling load migration if the MIC is locked up for years out. It is WPTF's understanding that LSEs are not obligated to release or trade any of its unused MIC; thus, as load migration continues, it could be the case that LSEs continue to hold onto MIC rendering it unavailable to other LSEs. This could even be the case absent load migration. An LSE that no longer utilizes the intertie capacity to support import RA may still hold onto its allocated MIC. As we continue these discussions, it will be important to consider ways in which the unused MIC is made accessible and tradeable to others in a transparent and robust manner.

One potential solution to addressing the unused MIC concern discussed above it to consider an additional mechanism or process after the initial allocation takes place. WPTF envisions this "post allocation" process could include an auction/release mechanism whereby unused MIC is made available to be acquired by other entities wanting to contract for import RA. WPTF understands that there is a process in place today that allows for bilateral trades, but believes its worth exploring other options that result in a more robust and transparent trading mechanism. Such a construct would help address the load migration concern as it could be a way to add some liquidity to the market and potentially prevent unused MIC from being effectively stranded. Therefore, as suggested in WPTF's previous comments, we continue to encourage the CAISO to consider including a process such as an auction mechanism for unused MIC.

WPTF thanks the CAISO for consideration of these comments.