

MIC Comments Template:

1. Provide a summary of your organization's comments on the Maximum Import Capability (MIC) Enhancements straw proposal:

The California Community Choice Association (CalCCA) appreciates the opportunity to comment on the MIC Enhancements initiative. The current MIC allocation process generally works well and is preferable to an auction mechanism. However, there is significant room for improvement in the facilitation of trading opportunities. The largest obstacle hindering MIC trades is the incentive to retain MIC that is not shown for resource adequacy (RA) so that it can be used for substitution to avoid Resource Adequacy Availability Incentive Mechanism (RAAIM) charges. CalCCA encourages the California Independent System Operator (the "CAISO") to continue efforts in the RA Enhancements initiative that would remove substitution requirements for both planned and forced outages. Specifically, it is important to remove the application of RAAIM for forced outages in favor of the unforced capacity (UCAP) proposal and to provide opportunities for addressing planned outage substitution in phase 2. For example, the CAISO should continue to pursue the proposal CalCCA previously supported that would develop a planned outage reserve margin that would obviate the need for planned outage substitution.¹ Secondly, increased transparency and a transaction mechanism where buyers and sellers voluntarily post their offers to transact MIC would better facilitate trading.

The CAISO decided to separate out the wheeling priorities item into a separate initiative. CalCCA urges the CAISO to maintain coordination between this MIC Enhancements initiative and the new wheel through initiative given the interdependencies between the two.

2. Provide your organization's comments on the improve transparency topic, as described in section 3.1:

CalCCA supports the CAISO's proposal to improve transparency, including the ownership of MIC allocations, their use, and how they are traded. These changes will help facilitate transfers of MIC among load-serving entities (LSEs) and increase the usage of available MIC. As noted above, the ongoing efforts to remove substitution obligations are needed in addition to increased transparency in order to achieve full utilization of MIC.

During the stakeholder call, the CAISO asked three questions regarding specific data needed to improve transparency. CalCCA provides the following recommendations in response to those questions:

- *What additional data should be made available to stakeholders in order to achieve this goal?*
 - *CalCCA suggests the CAISO provide aggregated annual and monthly trades and megawatt (MW) amounts of actual usage of MIC at each intertie point after*

¹ CalCCA Comments to the RA Enhancements Fifth Revised Straw Proposal:

<http://www.caiso.com/InitiativeDocuments/CalCCAComments-ResourceAdequacyEnhancements-FifthRevisedStrawProposal.pdf>, and;

CalCCA Comments on the September 2020 RA Enhancements Working Group:

<https://stakeholdercenter.caiso.com/Comments/AllComments/e0efc91f-6c4e-44be-a701-85039cefc61a>

showings are validated. The CAISO should aggregate this data by intertie and not provide the data by specific entities. This data will provide entities with needed information about potential opportunities to increase the usage of MIC.

- *Should the data be presented only on an aggregated level or should the data be presented on a LSE by LSE level?*
 - *CalCCA recommends the CAISO provide aggregated MW amounts of available MIC at each intertie point, rather than LSE by LSE specific information. LSEs can then voluntarily choose to disclose amounts of MIC they have available to buy/sell on a bulletin board or some other trading mechanism set up by the CAISO.*
- *What level of data transparency would be required in order to improve trading? Can both transparency and trading be improved at the same time?*
 - *Transparency and trading can be improved simultaneously, to an extent. By providing aggregated data, LSEs will understand how much MIC is available for potential trades and where it is available. LSEs should then be able to post their requests to buy or sell MIC on a voluntary trading platform like a bulletin board so that buyers and sellers can connect and trade more easily. Even without such platform, knowing where MIC is available would allow for better communication of specific needs by location when conducting bilateral transactions.*

3. Provide your organization's comments on the education regarding deliverability of imports and internal resources topic, as described in section 3.2:

CalCCA has no comments at this time.

4. Provide your organization's comments on other issues that require further exploration, as described in section 3.3:

The largest MIC-related issue is the existing incentive to hold onto MIC that is not shown for RA in order to use it for substitution and avoid RAAIM penalties. As long as the CAISO maintains substitution requirements for forced or planned outages, there will be an incentive for LSEs to retain MIC beyond what is required to meet their RA obligation. CalCCA encourages the CAISO to continue to develop the UCAP and planned outage process enhancements in Phase 2 of RA Enhancements so that substitution requirements and RAAIM for both planned and forced outages can be eliminated. This, along with the transparency improvements discussed above, will go a long way to improve MIC tradability and utilization rate.

In the straw proposal, the CAISO outlines several topics for consideration based on stakeholder feedback. First, some stakeholders suggested an auction mechanism could take the place of the current allocation mechanism. The current allocation process generally works well and is preferable to an auction mechanism. A method that continues to allocate MIC to LSEs responsible for paying for the costs of the transmission system and meeting RA obligations, coupled with improvements to transparency and the removal of substitution requirements and RAAIM, should result in efficient allocation and use of MIC.

Other stakeholders suggested the CAISO conduct deliverability studies at the end of the RA showings process after contracts are signed and RA imports are shown. CalCCA agrees with the CAISO that this would not result in an overall improvement to the MIC or RA process given the uncertainty it would introduce for LSEs signing RA contracts with resources they are not yet certain are deliverable. The CAISO should remove this idea from the proposal given it could leave LSEs with stranded assets. Today's process of conducting deliverability studies prior to the RA showings process is appropriate and provides certainty around how much import RA can be contracted for and relied upon to meet resource adequacy needs.

5. Provide your organization's comments on the proposed initiative schedule and EIM Governing Body role, as described in section 4:

CalCCA supports the Energy Imbalance Market (EIM) governing body classification, as the allocation of MIC applies strictly to LSEs within the CAISO Balancing Authority Area (BAA).

6. Additional comments on the Maximum Import Capability Enhancements straw proposal:

CalCCA has no additional comments at this time.