

Joint LSEs

SUBMITTED 02/28/2024, 10:12 AM

Submitted on behalf of

California Community Choice Association, Shell Energy North America (US), L.P., and Six Cities (Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California).

Contact

Shawn-Dai Linderman (shawndai@cal-cca.org)

1. Submission Title

First entry provide responses to questions 1-7.

Maximum Import Capability (MIC) Enhancements.

2. Has this issue been previously submitted?

No.

3. Issue Description: Briefly provide a description of the issue that the proposed initiative is intended to address.

Load-serving entities (LSE) are facing challenges in contracting out-of-state (OOS) resources for Integrated Resource Planning (IRP) and Resource Adequacy (RA) because of a lack of availability of MIC at present and uncertainty around the availability of MIC in future. California is facing ongoing tightness in the RA market, especially in light of competition for capacity from OOS entities. As a result, California depends critically on contracted import capacity to maintain reliability. This is demonstrated by data provided by the California Independent System Operator Corporation (CAISO) on January 12, 2024, informing sources of RA and showings for LSEs in the CAISO balancing authority area (BAA) over the last five years. The data, when combined with the Net Qualifying Capacity (NQC) lists over the same five-year period, depict an RA requirement that has grown more import-dependent (See Table 1).

Table 1 – Amount of RA Requirement Not Covered by CAISO Connected NQC^[1]

Month Ahead September 2019-2023			
Year	NQC	RA Requirement	Amount of RA not Covered by CAISO Connected Resources
2019	50,898	50,242	(657)
2020	47,334	49,135	1,801
2021	44,843	48,351	3,508
2022	46,923	48,944	2,020
2023	49,977	52,476	2,499

This trend is likely to continue in the coming years. The California Public Utilities Commission's (CPUC) recently adopted Preferred System Plan (PSP), a resource planning tool that informs new capacity that will be built to support reliability requirements, includes over 7 gigawatts of new OOS wind by 2035.^[2] These OOS wind resources will require MIC to count towards LSEs' RA and IRP obligations. Therefore, uncertainty around whether MIC will be available to support these projects is a barrier to LSEs moving forward with Power Purchase

Agreements (PPA) for OOS projects. Enhancements in the efficiency of MIC allocations and increasing the availability of MIC should help make import capacity more available to meet RA and IRP requirements.

Specific concerns around the MIC calculation and allocation process include:

- The availability of MIC, in part because of the amount of MIC overall and in part because of the locking in of MIC to LSEs who do not use it.
- Inability for LSEs to lock in MIC long-term to support long-term RA contracts or PPAs with resources with online dates multiple years into the future.
- Lack of transparency into the MIC process regarding how MIC will expand in future years to align with the PSP, non-CPUC jurisdictional local regulatory authority (LRA) procurement policies, and MIC expansion requests.

Inability to use the same MIC for two resources that will not be shown simultaneously (e.g., two battery storage resources shown under slice-of-day (SOD) where one is shown in the morning and the other is shown in the evening, or for showing solar resources during the day and wind in the nighttime hours).

[1] If the amount of resources not covered by CAISO connected resources is negative (in parenthesis), then the RA requirements could have been met entirely by resources internal to the CAISO BAA. If the amount of resources not covered by CAISO connected resources is positive, then CAISO LSEs must secure imports up to the amount shown in the table, assuming all CAISO connected resources are also secured for CAISO RA requirements, in order to meet aggregate RA requirements.

[2] D.24-02-047, *Decision Adopting 2023 Preferred System Plan and Related Matters, and Addressing Two Petitions for Modification*, R.20-05-003 (Feb. 20, 2024): <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M525/K918/525918033.PDF>.

4. Propose Initiative Description: To the extent possible, discuss proposed initiative scope. What elements of existing ISO market design do you propose to address?

The CAISO should create a new initiative exploring the MIC calculation and allocation methodology. This initiative would be a follow-on to the generator deliverability initiative, which explored ways to increase deliverability of internal generation while balancing reliability and cost containment considerations. Proposals that may be raised in such an initiative may include, but not be limited to:

- A process to allocate MIC on a multi-year going forward basis to accommodate LSEs with long term contracts, as opposed to only allowing multi-year MIC the year prior to resource COD.
- A mechanism to make unused MIC better available to LSEs rather than creating a marketable right that requires cumbersome bi-lateral trading to obtain. The current process allows LSEs to hold MIC that otherwise could be used to support imports.
- Evaluation of an hourly or block MIC system to align better with the CPUC's SOD RA rules and to allow MIC allocated for solar to be used by other resources in non-solar hours.

5. Business Justification: Does the propose initiative support ISO strategic objectives or existing ISO initiatives? Identify parties potentially impacted by the proposed initiative. Is the proposed initiative in response to regulatory requirements?

This initiative supports strategic objective 2, "Strengthen resource adequacy and meet California's SB 100 goals through long-term transmission planning and effective coordination with state agencies." As described in response to question 3, the ability to meet near-term RA requirements and long-term renewable integration goals necessitates access to imports. Those imports must be deliverable to support reliable operations of the CAISO grid.

Numerous parties are potentially impacted by a MIC Enhancements initiative. LSEs are the most directly impacted parties, as they are the ones contracting for new and existing resources to meet their various compliance obligations. Resource owners and developers outside of the state are also impacted, as their ability to sign contracts and PPAs with LSEs depends in part on the LSE's level of certainty that it will have a MIC allocation to support such capacity. Finally, California electricity customers are impacted as it is in their best

interest from a reliability and affordability perspective to have access to resources at least cost to reliably operate the grid.

6. Timing and Urgency: Are there regulatory requirements for implementation dates, or time-sensitive reliability impacts? Are there consequences to not addressing this issue?

This initiative should be addressed urgently. CalCCA stack analyses show that estimated RA supply will be insufficient to meet RA requirements in 2024 and 2025, and the market will continue to be tight in 2026. [1] Imports are one of the few options to increase the supply stack in such a short timeframe, and the ability to obtain the MIC necessary to support those imports could make the difference between having enough RA supply to meet reliability targets and coming up short. LSEs are also contracting to meet IRP requirements, including the mid-term reliability requirements with delivery dates between now and 2028, and their own IRPs which plan procurement out to 2035. Non-CPUC jurisdictional LSEs are likewise actively engaged in planning and procurement to meet long-term needs. In fact, some OOS projects are currently in the process of contracting to provide capacity to California but the lack of available MIC is hampering those efforts even today. The CAISO should urgently begin a MIC Enhancements initiative to ensure the reliable delivery of supply now and in the future.

[1] *Public Version California Community Choice Association's Comments on Assigned Commissioner's Scoping Memo and Ruling, R.23-10-011 (Jan. 19, 2024), Exhibit A: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M524/K571/524571013.PDF>.*

7. Data: Identify existing data and missing data needed to analyze the issue and develop solutions.

The CAISO already posts in a Yes/No format whether each LSE used its MIC allocation by branch group. This data shows many branch groups with unused MIC, but does not reveal the magnitude of unused MIC at each location. To take this analysis further, the CAISO should aggregate and publish data showing total megawatts (MW) of unused MIC by branch group. If a significant amount of MWs went unused at valuable branch groups, we can assume that the allocation process needs enhancements to ensure there is MIC available in the right location to LSEs that need it without too many transactional barriers. If there is not a significant amount of MWs unused at valuable branch groups, we can assume that the overall availability of MIC is at issue, and we should focus our efforts on how to expand the total MIC available to LSEs. Transparency into this data is a necessary first step in this process so that the CAISO and parties can develop proposals specific to needs identified by the data.

8. Submission Title

Second entry provide responses to questions 8-14.

9. Has this issue been previously submitted?

10. Issue Description: Briefly provide a description of the issue that the proposed initiative is intended to address.

11. Propose Initiative Description: To the extent possible, discuss proposed initiative scope. What elements of existing ISO market design do you propose to address?

- 12. Business Justification: Does the propose initiative support ISO strategic objectives or existing ISO initiatives? Identify parties potentially impacted by the proposed initiative. Is the proposed initiative in response to regulatory requirements?**
- 13. Timing and Urgency: Are there regulatory requirements for implementation dates, or time-sensitive reliability impacts? Are there consequences to not addressing this issue?**
- 14. Data: Identify existing data and missing data needed to analyze the issue and develop solutions.**
- 15. Submission Title**
Third entry provide responses to questions 15-21.
- 16. Has this issue been previously submitted?**
- 17. Issue Description: Briefly provide a description of the issue that the proposed initiative is intended to address.**
- 18. Propose Initiative Description: To the extent possible, discuss proposed initiative scope. What elements of existing ISO market design do you propose to address?**
- 19. Business Justification: Does the propose initiative support ISO strategic objectives or existing ISO initiatives? Identify parties potentially impacted by the proposed initiative. Is the proposed initiative in response to regulatory requirements?**
- 20. Timing and Urgency: Are there regulatory requirements for implementation dates, or time-sensitive reliability impacts? Are there consequences to not addressing this issue?**
- 21. Data: Identify existing data and missing data needed to analyze the issue and develop solutions.**
- 22. Submission Title**
Fourth entry provide responses to questions 22-28.
- 23. Has this issue been previously submitted?**
- 24. Issue Description: Briefly provide a description of the issue that the proposed initiative is intended to address.**

- 25. Propose Initiative Description: To the extent possible, discuss proposed initiative scope. What elements of existing ISO market design do you propose to address?**
- 26. Business Justification: Does the propose initiative support ISO strategic objectives or existing ISO initiatives? Identify parties potentially impacted by the proposed initiative. Is the proposed initiative in response to regulatory requirements?**
- 27. Timing and Urgency: Are there regulatory requirements for implementation dates, or time-sensitive reliability impacts? Are there consequences to not addressing this issue?**
- 28. Data: Identify existing data and missing data needed to analyze the issue and develop solutions.**
- 29. Submission Title**
Fifth entry provide responses to questions 29-35.
- 30. Has this issue been previously submitted?**
- 31. Issue Description: Briefly provide a description of the issue that the proposed initiative is intended to address.**
- 32. Propose Initiative Description: To the extent possible, discuss proposed initiative scope. What elements of existing ISO market design do you propose to address?**
- 33. Business Justification: Does the propose initiative support ISO strategic objectives or existing ISO initiatives? Identify parties potentially impacted by the proposed initiative. Is the proposed initiative in response to regulatory requirements?**
- 34. Timing and Urgency: Are there regulatory requirements for implementation dates, or time-sensitive reliability impacts? Are there consequences to not addressing this issue?**
- 35. Data: Identify existing data and missing data needed to analyze the issue and develop solutions.**