

Local RAR Workshop
Workshop Agenda
February 8th & 9th, 10 AM – 4:30 PM

Workshop Administrivia

- Located at CPUC, Hearing Room A, 505 Van Ness, SF, CA 94102
- Lunch break daily at noon
- Workshop scheduled to be transcribed by Court Reporter.
- Workshop scheduled to be available via Video Webcast. Video webcast does not allow remote audience participation. To access the Webcast, click on Spotlight on the CPUC homepage. As a back-up, try clicking on the California Admin website to link to the live (or archived) broadcast.
<http://www.californiaadmin.com/cgi-bin/cpuc.cgi>

Workshop Goal

The goals of this workshop are:

- To support develop a proceeding record that can support the development of a scoping memo and proceeding schedule, including the need for hearings, workshops, or other procedural vehicles.
- To promote a better understanding of the CAISO's Local Capacity Technical Analysis and parties' proposals for local resource adequacy.
- To discuss Local RAR proposals, including variations or alternatives to the proposals.

Workshop Overview

Part 1 of the workshop will focus on the CAISO proposal for a local capacity requirement (LCR). Parties will be invited to discuss key aspects of the study, including input assumptions, methodology, reliability criteria, and study results.

Part 2 of the workshop will focus on implementation of a local resource adequacy requirement (Local RAR) program, i.e. a regulatory program that sets a local requirement on load serving entities (LSEs). Parties will be invited to discuss key aspects of Local RAR implementation, including the allocation of and demonstration of the requirement.

Proposals Related to a Local Capacity Requirement or Local RAR program

Copies of the proposals (including the CAISO's) are available for download at the CPUC's procurement and resource adequacy page:

<http://www.cpuc.ca.gov/static/hottopics/1energy/r0404003.htm>

Participation of Parties with and without Proposals

Parties that submitted proposals on January 24, 2006 in R.05-12-013 (IEP, Mirant, Joint IOUs, and AReM) are not required to give a summary presentation of their entire proposals. Instead, parties that submitted proposals prior to the workshop will be allowed to make summary remarks of their position at the beginning of each agenda topic, as appropriate. Other parties will be allowed to ask questions, make comments, or offer variations on the proposals presented.

Copies of Handouts

If parties wish to use handouts (brief bulleted summaries) as part of their participation in the workshop, they should bring at least 75 copies of any document to be distributed. Parties that submitted proposals on January 24, 2006, may, but are not required, to bring copies of the proposals to the workshop.

**Local RAR Workshop in R.05-12-013
Workshop Agenda
February 8, 2006**

Introduction

10:00 AM – 10:10 AM

- Introductions
- Agenda review
- Items left over from PHC that need to be added
- Terminology
- Preview of next steps (Scoping Memo and Schedule)

Part I. CAISO's Proposal for Local Capacity Requirement

1. Introductory Remarks

10:10 AM – 10:30 AM

Overview by the CAISO about its Local Capacity Technical Analysis

CAISO Staff: Phil Pettingill, Grant Rosenblum, John Goodin, Catalin Micsa, Gary DeShazo

The CAISO's 2006 Local Study was released Sept. 2005 and submitted by motion on September 23, 2005 to R.04-04-003. The same study was re-submitted to the R. 05-12-013 on January 31, 2006. The new filing includes the original study, plus a cover letter and an addendum. It is available for download from a link on:

<http://www.cpuc.ca.gov/static/hottopics/1energy/r0404003.htm>

2. Study Input Assumptions

10:30 AM – 11:30 AM

- a. Load forecast (1 in 10 vs. 1 in 5, source of forecast)
- b. 500 kV path mitigation
- c. Transmission configuration
- d. Overlapping contingencies
 - NERC/WECC standards
 - CAISO Grid Planning Standards
 - Operating requirements
 - Application of emergency ratings and WECC criteria
 - Adequacy and flexibility of responses
- e. Generator Performance Assumptions
 - Availability requirement of 8760 hours
 - Effectiveness rating
 - Resources counting/not-counting for local (same or difference from System RAR)

3. Study Methodology

11:30 AM - Noon

- a. Modelling Approach (Deterministic vs. Probabilistic)
- b. Power Flow Program (GE's Power System Load Flow)
- c. Grid Planning Process

- 4. Study Reliability Criteria** **1:30 PM – 1:45 PM**
- Difference between Local RAR study and RMR
 - Cost and benefits of reliability level or risk filter (how can we assess different levels of reliability?)
- 5. Study Results** **1:45 PM – 2:15 PM**
- Definition of local areas (do load pockets change over time, over the year?)
 - Local RAR by local area (minimum vs. recommended levels)
 - Extracting POU loads and resources from results
 - Monthly differentiation of study results (seasonal?)
 - Sensitivity analysis
 - Suggestions for how to subject study results to a cost/benefit test
- 6. Nature of Local RA Product** **2:15 PM – 2:30 PM**
- Generation Options
 - Must meet dispatch requirements
 - Must meet availability (8760?) requirements
 - Must meet effectiveness test of CAISO (?)
 - Operation Options
 - What are the non-generation options to meet Local RA needs?
- 7. LCR Study Update** **2:30 PM – 3:00 PM**
- Timeframe
 - Ideas for revisions of CAISO Local RAR study
 - Process/Schedule for a new study
 - Which study year (2006 or 2007?)
 - Need to lock down of assumptions quickly
 - Time needed to produce results
 - Time needed to review study results
- 8. LCR study alternatives** **3:00 PM – 3:30 PM**
- Reason for a study alternative
 - Should CAISO study just be the rebuttable presumption?
 - Third party review of the CAISO study?
 - Sponsorship Alternative Study?
 - IOU's Suggestion to use of Grid Planning Process (10-year rolling study) to set Local Capacity Requirement (and/or how can we ensure that the LCR is consistent with Grid Planning Process?)
- 9. CAISO's Proposal for a Zonal Capacity Requirement** **3:30 PM – 4:30 PM**
- Need for a Zonal Capacity Requirement
 - In addition to Local RAR and System RAR?
 - Is it a planning or an operational requirement?
 - Zonal Study timeframe (annual, when for 2006?)
 - Zonal Study Methodology
 - Zonal Study Input assumptions
 - Expectation of Zonal Study Results (magnitude?)

Local RAR Workshop in R.05-12-013
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February 9, 2006

Part 2. Proposals for Implementing a Local RAR Program

- 1. Capacity Markets** **10:00 AM – 10:30 AM**
 - a. Mirant Proposal for centrally administered market
 - b. Voluntary markets of willing buyers and sellers using standardized, local, tradeable capacity products
 - Current Barriers to trading capacity products
 - Standard Terms and Conditions of Products
 - Options for procedural process for supporting tradeable capacity products (with and without a local attribute)

- 2. Local RAR responsibility among LSEs** **10:30 AM – 11:00 AM**
 - a. LSE is the Responsible Entity for Requirement
 - b. Allocated Commensurate with
 - Share of Load in Load Pocket?
 - Or % of load in IOU service territory?
 - c. Unresolved Issues
 - Who does the analysis of locations?
 - Is Local RAR allocation on forecast basis feasible? for 2007 cycle?
 - How to adjust allocation for load migration (& what timeframe for adjustments?)

- 3. Cost Allocation (Retail Ratemaking Issues)** **11:00 AM – 11:15 AM**
 - a. Local RAR costs allocated to customers in local area, and bill line item added for “Local RAR” costs
 - b. Consistent with Existing Rate Design
 - c. Other?

- 4. Compliance Demonstration Process** **11:15 AM – Noon; 1:30-2:00 PM**
 - a. Issues that Challenge Compliance Showings
 - i. Small LSEs (Under 1 MW of Local RAR)
 - ii. Sellers have Market Power
 - Criteria for market power determination
 - Entity responsible for market power determination (CPUC?)
 - Options for mitigation of market power
 - iii. Generation Unavailable
 - iv. Creditworthy Counterparty Unavailable
 - v. Local RAR is not Cost-Effectiveness Compared to Transmission or Operational Action
 - vi. Changing conditions for short term view of existing study
 - b. Waiver Process
 - Timing
 - Consequence of waivers
 - c. Credit of Condition 1 RMR to LSEs for their Local RAR showing
 - d. Allow DR, interruptible and other solutions to support Local RAR showing
 - e. Allow RAS schemes to count

- 5. Trading/Transfer of Local Resources** **2:00 PM – 2:45 PM**
- a. IOU proposal for transfer of “long” Local RAR positions to “short” LSEs
 - b. Definition of capacity product with local attribute
 - c. Establishment of transfer price
 - d. Penalties
- 6. Timing of Local RAR Compliance Showing** **2:45 PM – 3:00 PM**
- a. First Local RAR annual showing in Sept. 2006 will be made with System RAR compliance showing that covers “year ahead” 5-month period of May thru Sept 2007 mad eon 9/30/06.
 - b. Monthly Local RAR thereafter (monthly coverage starting in January 2007 or May 2007?)
 - c. Timing between Local RAR decision and compliance showing
- 7. Tradeoff between CAISO Backstop Procurement and CPUC Local RAR program** **3:00 PM – 3:30 PM**
- a. Parameters of CAISO’s Backstop Procurement Activities
 - b. Consequences of CPUC Local RAR less than CAISO’s LCR
- 8. Non-Compliance Issues/ Penalties** **3:30 PM – 3:45 PM**
- 9. Transmission Upgrades** **3:45 PM – 4:00 PM**
- a. Part of Annual Process?
 - b. Trigger a transmission upgrade whenever generation/load ratio crosses a threshold
 - c. Establish Local RAR (and costs) as part of longer-term grid expansion analysis
- Closing Remarks** **4:00 PM – 4:30 PM**
- 1. Next Steps (Scoping Memo and Schedule)
 - 2. Closing statements regarding need for hearings, topics for future workshops, LCR study revisions