Stakeholder Comments Template

Flexible Resource Adequacy Criteria and Must-Offer Obligation Revised Straw Proposal, June 13, 2013

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the Flexible Resource Adequacy Criteria and Must-Offer Obligation revised straw proposal on June 13, 2013, and issues discussed during the stakeholder meeting on June 19, 2013.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to fcp@caiso.com no later than the close of business on June 26, 2013.

1. The ISO has outlined the a methodology to allocate flexible capacity requirements to LSE SC based one possible measurement of the proportion of the system flexible capacity requirement to each LSE SC based on its contribution to the ISO's largest 3 hour net-load ramp change each month. Please provide comment regarding the equity and efficiency of the ISO proposed allocation. Please provide specific allocation formulas when possible. The ISO will give greater consideration to specific allocation proposals than conceptual/theoretical ones. Also please provide information regarding any data the ISO would need to collect to utilize a proposed allocation methodology. Specifically,

    a. Has the ISO identified the core components for allocation? Are more needed? If so, what additional components should be considered and how should ISO consider them? Are fewer needed? If so, what should the ISO include? More detail is required as to how variability in the Distributed Generation factor will be calculated, and CAC reserves comments pending that review.

    b. Has the ISO used the right allocation factors for the identified components (i.e. load ratio share, percent of total capacity contracted)? If additional or fewer components should be considered as identified in 1a, above, please provide specific allocations factors for these components.

c. Does your organization have any additional comments or recommendations regarding the allocation of flexible capacity requirements?

2. The ISO believes that there are either tools in place or under development to manage a resource's use-limitations while still be subject to economic bid must offer obligation. The ISO, consistent with the CPUC's RA proposed decision, will require hydro resources to be able to provide a minimum of 6 hours of energy at Pmax to be eligible to provide flexible capacity. However, some resources, including demand response and storage resources may have use limitations that may do not fit well within these mechanisms.

a. Please provide comments regarding what use-limitations are currently managed by existing or proposed ISO tools and what must-offer obligation should apply to these resources. CAC is concerned with the treatment of Qualifying Facilities that are cogeneration operations. They may not have pre-established limits as to starts or duration of operation, but may have limits based on synchronizing electricity generation with the thermal demands of the industrial host. This has generally been accommodated through self-scheduling, but the 6/13 revised straw proposal suggests this may conflict with the dispatch needed to meet flexibility needs. Such cogeneration facilities do provide some flexibility benefit, and there should be further study of how that benefit can be recognized and incorporated into the ISO's calculation of flexibility need. See, generally, CAC's reply comments on the Proposed Decision in CPUC Docket R12-03-014, attached.

Currently, the use limitations of cogeneration are managed through the Net Scheduled PGA and each unit's master file. The PPA with a purchasing utility generally provides for scheduling protocols that accommodate the use limitations, and any must-offer obligation should be coordinated with such protocols.

b. Should the ISO consider other minimum energy or run time limits for other types of use limited resources to be eligible to provide flexible capacity? If so, what should these limits be? Why?

3. The ISO is assessing how bid validation rules could work for flexible capacity resources that are subject to an economic bid must offer obligation. The ISO provided two examples of bid validation rules and potential interpretations. Please provide comments regarding how the ISO should address each of these

examples and any others that may need to be considered. See comments above as to the problem of basing a validation rule on self-scheduling.

4. The ISO currently has a tool in place that allows for a resource to include the opportunity costs associated with run-limitations into the default energy bid. The ISO is considering a similar mechanism to allow resources with annual or monthly start limitations to include the opportunity costs of start-up in the resource's start-up and minimum load costs. Please provide comments on how the ISO should consider the opportunity costs for start limitations and how that opportunity cost should be calculated.

5. The ISO is proposing that all flexible capacity resources should be required to submit economic bids between 5:00 am and 10:00 pm. Please provide comments regarding this proposed must-offer obligation. Please connect to the response to this question to any responses to questions **Error! Reference source not found.**~~5~~ or 5~~6~~ as appropriate. As noted above, cogeneration facilities should not be required to submit an economic bid in any hour for any capacity that they have self-scheduled, or any hour in which they have limited output to match thermal demands.

6. The ISO has proposed to include backstop procurement provision that would allow the ISO to procure flexible capacity resources to cure deficiencies in LSE SC flexible capacity showings. Please provide comments regarding the ISO's flexible capacity backstop procurement proposal.

7. Are there any additional comments your organization wished to make at this time?