

## Comments to ISO on Flexible Capacity and Must Offer Obligation

The following comments are provided on behalf of the Cogeneration Association of California and the Energy Producers and Users Coalition. Both organizations represent industrial cogeneration facilities that provide thermal and electrical energy to their industrial hosts and may sell the concurrently-generated electricity to the grid. The primary concern of CHP facilities is that they be allowed to deliver to the grid the amount of electricity generated while meeting their operational obligations to the industrial host. This has been accommodated by the ISO through the self-scheduling procedure. The amount that is self-scheduled cannot be available for dispatch by the ISO.

That self-scheduled amount must be considered as inflexible for purposes of a flexible capacity obligation. The Effective Flexible Capacity (EFC) for CHP has to be set so as to preserve the deliverability of the self-scheduled amount and exempt it from dispatch. It would not work to set a CHP facility's EFC as the difference between P<sub>Min</sub> and NQC (NQC-P<sub>Min</sub>), since that EFC would presumably all be regarded by the ISO as flexible capacity and subject to the must-offer obligation. The EFC has to be set at a level that categorizes the self-scheduled amount as inflexible. We would propose that individual CHP facilities set their EFC. Their EFC could be no greater than an amount established by their NQC minus P<sub>min</sub>, but could be less based on anticipated operations related to its site host.

Another consideration is that some CHP facilities can only generate the amount of electricity allowed by the simultaneous delivery of thermal energy to the industrial host. They may not be able to hold thermal energy output constant while varying the electrical output. Other CHP facilities may have generating capacity integrated with site host operations that require minimum dispatch levels above a facility's P<sub>min</sub>. This is further support for the proposal to allow a CHP facility to set its own EFC.

Although an individual facility can determine how much flexible capacity it will contract to provide to LSEs, we are interested in setting the EFC so as to maximize the amount actually available from CHP facilities in real-time. In part, this seems an issue of timing. The EFC must be set in advance to support the LSE annual and monthly showings, but the CHP facility may want to adjust that day to day based on the changing demands of its industrial host. Perhaps there is a differentiation to be made between the EFC determined in advance and used for the annual and monthly showings versus the amount of flexible capacity actually available that may be bid into a reliability services auction or otherwise made available day ahead or real-time.

As long as the must-offer obligation is limited to the amount of flexible capacity actually sold to an LSE by a CHP facility, there probably is no need for major substantive provisions in the MOO tailored to CHP. We want to ensure, however, that a CHP facility's obligation to provide flexible capacity is limited to the amount sold in a discrete transaction, and incorporates the ability for a CHP facility to self-schedule generation above its P<sub>min</sub> as part of its must offer obligation. It should also be clear that individual facility operations will determine the amount of flexible capacity that is available and can actually be sold, rather than some proration of the NQC.