Comments on Draft Final Proposal on
Flexible Capacity and Must Offer Obligation of
The Cogeneration Association of California and
The Energy Producers and Users Coalition

The Cogeneration Association of California and the Energy Producers and Users Coalition ("the CHP Parties") provide these comments on the Draft Final FRAC MOO proposal issued by ISO Staff on February 7, 2014.

The CHP Parties appreciate the inclusion on pg. 37 of the principles that a resource may designate any portion of its EFC as "generic capacity," and that such capacity can be self-scheduled and not subject to the obligation to submit economic bids. This is an important principle protecting the legal obligations and operations of combined heat and power resources, and should be explicitly stated in any final conceptual document submitted for Board approval and in the tariff language.

There continues to be an issue, however, with the calculation of the EFC of CHP resources. Using the same methodology as proposed for other conventional resources is not a satisfactory solution. The formula of NQC – PMin captures one concept for conventional gas-fired resources since it represents a calculation of one measure of maximum output minus a measure of minimum stable generation.

It represents a completely different concept for CHP. NQC for CHP resources is generally based on their output to the grid net of deliveries to their industrial host. Some CHP units that deliver both electricity and thermal energy behind the meter to their industrial host have only a small net amount of electricity to export to the grid. For those resources, NQC is a relatively small amount and will likely be less than PMin. The formula would produce a negative EFC for those resources, although they may in fact have some flexibility.

On the other hand, some CHP units among the members of the CHP Parties have a significant export to the grid and a NQC that is a relatively large percentage of their PMax. For them, the formula NQC-PMin will overstate their flexibility. Although they export a large amount to the grid, that electricity output may be inflexibly tied to the thermal deliveries to the industrial host, and therefore not flexible capacity available for dispatch. The ISO may respond that those units can designate that inflexible excess as generic capacity. However, the CHP Parties are concerned that the proposal creates the threat of unintended future obligations for CHP. Having identified a hypothetical, unsupported EFC for a resource, that EFC may be used to create an obligation to operate that the CHP resource cannot honor.

Given the unique operating configurations of each CHP resource and the varying obligations to industrial hosts, each CHP resource has a discrete flexible capacity that cannot be easily determined by a generic formula. Each CHP resource should be able

to designate its own flexible capacity, subject to some engineering verification by the ISO.

Another matter requires some clarification. The discussion on pg. 37 refers to the amount of flexible capacity "listed." It is unclear whether that refers to a master spreadsheet listing each resource's EFC, or whether that refers to the amount of flexible capacity a resource has listed on a flexible RA showing. This is important in protecting the CHP resource's option to designate part of its capacity as generic.