

Stakeholder Comments Template

Flexible Resource Adequacy Criteria and Must-Offer Obligation Straw Proposal, December 13, 2012

Submitted by	Company	Date Submitted
Please fill in the name, e-mail address and contact number of the specific person who can respond to any questions about these comments. Mohan Niroula mniroula@water.ca.gov 916-574-0712	California Department of Water Resources State Water Project (CDWR-SWP)	01/10/2013

This template is for submission of stakeholder comments on the topics listed below, covered in the Flexible Resource Adequacy Criteria and Must-Offer Obligation straw proposal dated December 13, 2012, and issues discussed during the stakeholder meeting on December 20, 2012. The ISO will also review comments filed with the CPUC in R.11-10-023¹ that respond to the questions asked on the Joint Parties' Proposal per the CPUC's December 4, 2012 Scoping Memo.² Therefore, the ISO has not included questions in this template that have already been asked by the CPUC. However, stakeholders that have not submitted comments to the CPUC may include comments regarding those questions at the end of this document.

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 fcg@caiso.com no later than the close of business on January 9, 2013.

1. The ISO has outlined the basic considerations and assumptions that it proposes (in conjunction with the "Joint Parties") for the flexible capacity needs assessment for 2104. Please provide any general comments/questions/clarifications regarding the needs assessment.

Stakeholder process should aim at expanding existing tariff default provisions (for reserve margin for generic RA and qualifying capacity criteria applicable to LRAs) to include similar provisions developed by LRAs for flexible capacity obligation and flexible capacity counting criteria; especially, tariff sections 40.2.2.1,

¹ The record for R.11-10-023 can be found at http://delaps1.cpuc.ca.gov/CPUCProceedingLookup/f?p=401:56:1171820792119401::NO:RP,57,RIR:P5,PROCEEDING_SELECT:R1110023.

² The Scoping Memo can be found at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M031/K723/31723210.PDF>.

40.2.2.2, and 40.2.3.1 should be expanded to include LRAs flexible capacity procurement obligation similar to planning reserve margin for generic RA; also similar to generic RA qualifying capacity criteria developed by LRAs, counting criteria for flexibility should be allowed to be developed by LRAs.

Interim solution only emphasizes ramp-up flexible capacity despite the fact that ramp-down need is of equal magnitude. How will the ramp-down need be met in the interim? What are the costs and reliability implications on not planning for ramp-down needs? Will it cause exceptional dispatches to increase?

The straw proposal at section 8, page 11, states: “Further, significant events and operational needs caused by deficiencies in flexible capacity are already covered under the existing CPM tariff”; which section of the tariff addresses deficiencies in flexible need? Further the proposal in the same paragraph states, “However, ISO is seeking backstop authority to address insufficient flexible capacity resources in an LSE’s annual or monthly plan”. Will there be collective shortfall in the flexible capacity needs even if all LSEs satisfied their obligation and how will the cost be allocated in that case?

The proposed CPM compensation is based on “no modification to performance obligation for flexible capacity resources” and the existing SCP provisions application to flexible capacity in 2014. Will the economic bid requirement apply in stage 1,(2014)?

- The ISO proposes to allocate flexible capacity procurement obligations to LRAs based on the LRAs contribution to forecasted monthly system peak. Is this the appropriate allocation methodology? What other allocation methodology could be considered?

Although allocation of Flexible Capacity Procurement Obligation (FCPO) is in MWs, it is equivalent to cost allocation because each MW is associated with a cost; hence cost causation should be followed as far as practical in allocating FCPO. If there were only loads that caused the flexibility needs, allocation to only loads would be logical. However, intermittent resources also appear to create the need for flexible capacity, not necessarily only during system coincident peak. To the extent such resources are determined to cause flexible capacity needs, such entities should also be allocated FCPO. ISO should also explore other options such as allocation of FCPO based on LSE’s portfolio of resources and load. Allocation of FCPO should follow cost allocation guiding principles.

2. The ISO proposes to include default tariff provisions for LRAs that do not set flexible capacity procurement obligations. The default level would be the flexible capacity requirement established in the ISO’s flexible capacity assessment. Are there other considerations that should be included in the default provisions?

SWP supports ISO position to allow LRAs to establish their own FCPO. The straw proposal indicates that ISO will provide LRAs advisory flexible capacity allocations. It is up to the LRAs to make decision based on the ISO's advisory monthly flexible capacity allocations or based on the LRA's established FCPO. The current tariff default provisions are for planning reserve margin and QC criteria for generic RA. Similar to QC criteria for generic RA, default provisions should apply to LRAs if they do not establish flexible capacity counting rules.

3. The ISO is proposing a year-ahead and 12 monthly showings demonstrating that an LSE has procured sufficient quantities of flexible capacity for each month, with 90 percent of the total flexible capacity obligation be shown in the year-ahead showing and 100 percent in the month-ahead showing. Are these the right levels? Are there any other attributes that should be included in these showings?

The requirement of 90% annual and 100% monthly demonstration is appropriate which is comparable to generic RA showings. Whether the annual showing applies to all months or just the summer months should be clearly stated.

4. The ISO is proposing new backstop authority in the system is deficient in the total amount of flexible capacity required. Are the triggers for issuing a backstop procurement designation sufficient? What else should the ISO consider?

The proposal should also state if collective shortfall for flexible capacity may occur despite all LSEs meeting their respective allocations, similar to generic RA collective shortfall. Cost allocation in such cases could be allocated system wide. However, if an LSE is short in its flexible capacity showing, cost would be allocated to that deficient LSE.

5. The ISO is proposing to use the current CPM rate in procuring backstop flexible capacity. Are there additional considerations in the use of this rate?

The stage 1 proposal indicates the FCPM designation compensation is the same as the CPM designation because FCPM designation in stage 1 will not be subject to any modifications to the performance obligations for flexible capacity resources in 2014. The stage 2 FCPM will compensate FCPM designation resource with CPM price plus an additional flat price that will be determined in stage 2 of the FRAC MOO proposal. Will the stage 1 FCPM designation resource be required to offer generic RA as well as flexible capacity because of bundling requirement?

6. The ISO proposes to allocate costs for backstop procurement designations to all LSEs that are deficient in their flexible capacity showings. Is cost allocation for backstop correct? If not, what other options should be considered

As flexible capacity need is caused by surge of renewable resources, is it reasonable to allocate costs of FCP to such resources and their beneficiaries which may not be all LSEs?

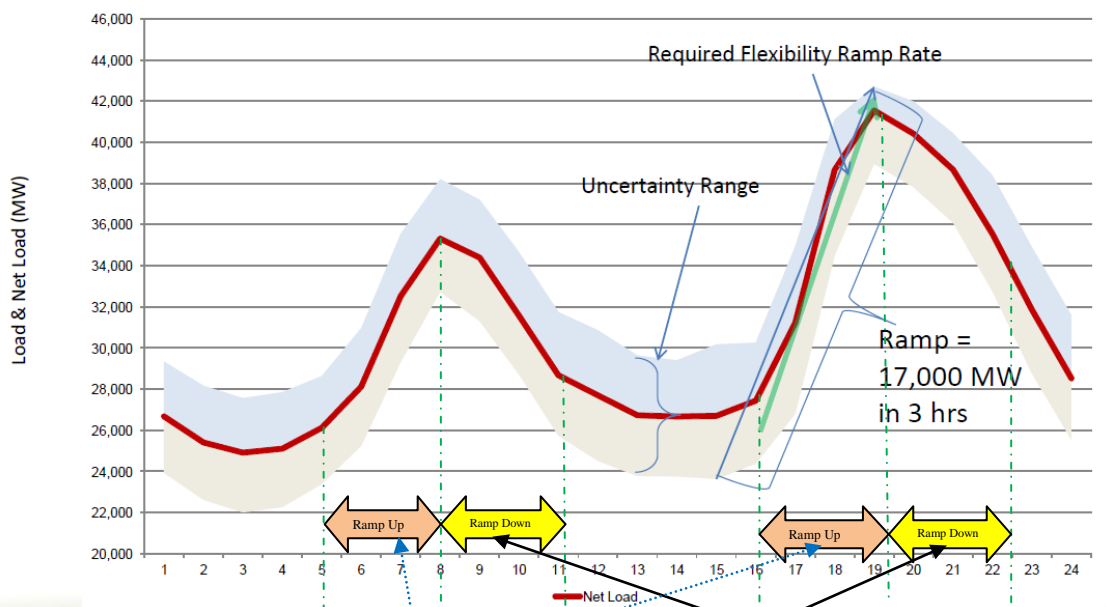
7. Are the ISO's proposed criteria for determining selecting resources to procure for any flexible backstop procurement designation correct?

8. The ISO has put forth a proposed counting convention for hydro resources. PG&E presented an alternative approach. Please comment on the relative merits of each proposal? Does your organization have any additional suggestions to enhance either proposal?

ISO: 17 hrs availability 3 hrs ramp up / sustain energy (Ramp Up Capacity)

PG&E: 3 hrs, 2 ramp up per day; Daily energy limit =>6 hrs per day;(Ramp Up Capacity)

CDWR-SWP: Supports PG&E version of Ramp Up Capacity; PLUS, establish 3 hrs each, 2 (Ramp Down Flexible Capacity) per day can be provided by pump loads (Participating Load or Demand Response) by consuming energy (Ramp Down Flexible Capacity); promote demand response in other direction (consume energy) as well; mitigate over generation; improve reliability.



The combination of SWP generation and Participating Loads would increase the flexible resources in the CAISO.

The interim solution extends from 2014 through 2017 and is looking at ramp up flexible capacity need only. ISO has indicated that a comprehensive solution would be developed for period beyond interim which may include more granular products. However, the need for ramp-down flexible capacity procurement is not recognized for the interim period while the need exists along with the ramp-up capacity (incremental energy). In part, such ramp-down need would be provided implicitly by large wholesale loads like pump loads. It is apparent that such an important service provided by pump loads would not be recognized unless ramp-down capacity need is built into the interim flexibility solution, and perhaps the future comprehensive solution. At a minimum, LSEs that provide implicit ramp-down flexible capacity (or has capability to do so) through demand response should be recognized in some way; *in recognition, at least during interim period, LSEs ramp up flexible capacity obligation determined by ISO could be reduced by the same amount the LSE has the Ramp Down Flexible Capacity capability with demand response (DR) resources.* DR resources (satisfying Ramp-Down Flexible Capacity need) could compete with generating resource (that must ramp-down) by consuming energy thereby making grid more stable, reliable, and efficient. Recognition of DR in providing this service in the interim would establish a foundation for comprehensive solution consideration of DR importance in providing flexible capacity ramp down needs.

9. Beyond the three issues identified by the ISO, are there any other issues the ISO needs to consider in Stage Two of this stakeholder initiative and why?

The three issues- bidding obligations, compensation, and Standard Flexible Capacity product are important. Apart from these, potential issues that need considerations in stage 2 are:

- a) Flexible Capacity Procurement Obligation allocation to non-LSEs such as renewable resources: if ISO study determines that such resources need to be made responsible for FCP, then it is worthwhile to consider; promotes cost causation.
- b) FCPM backstop cost allocation to non-LSEs such as renewable resources; similar logic as above.
- c) Ramp down flexible capacity: If the stage 1 does not recognize ramp down flexible capacity need in any manner, stage 2 should consider ramp down flexible capacity; promotes efficient use of demand response resources to consume energy; mitigates over generation; promotes reliability and efficiency.

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

Stage 1 issues:

in the ability of Participating Loads to provide demand response (analogous to a generator ramp-up capacity) or a pump ramping up by consuming energy (analogous to a generator ramp-down capacity) as described in #8.

Will the LSE-provided flexible capacity resource need to offer separate flexible and generic RA because of bundling requirement? It seems that all flexible capacity should also be counted as generic RA capacity.

The straw proposal states, “Variable Energy Resources will be counted using the same mechanism as conventional resources”. Does this mean that Variable Energy Resources (VERs) would be able to provide flexible capacity?

The straw proposal indicates DR resource can provide flexible capacity. Will there be a Must Offer Obligation (MOO) in stage 1 and stage 2? Availability standard does not apply currently these resources.

Stage 2 issues:

SWP will provide more comments when stage 2 stakeholder process starts after the stage 1 completion. However, here are some preliminary comments related to stage 2 issues discussed in this straw proposal:

9.1 Flexible Capacity Bidding Obligations: a) the proposal indicates that self-scheduling of flexible resources can lead to higher costs in ramping down because ISO must exhaust all generator bids prior to curtailing self-schedule (economic bid floor of $-\$30/\text{MWh}$ v/s penalty parameter to curtail self-schedule of $-\$1100/\text{MWh}$ in RTM). Does it mean that this problem is not associated with ramp up (incremental energy) dispatch and that the problem is only with ramp down (curtailing energy)? If self-scheduling works with ramp up, then it may work with ramp down as well if discrete ramp down flexible capacity requirement is established and configured accordingly. Alternatively, with economic bid requirement, resources that submit self-schedules only may adopt ISO’s insertion of economic bids based on their choice. Advantage of allowing self-scheduling would be a large pool of resources which self-schedule could provide flexible capacity in either direction thereby improving market efficiency. b) SWP understands that ISO’s concerns for flexible capacity for the interim period covered by the Joint Parties’ proposal are in the upward direction only. If this stakeholder process could modify Joint Parties’ proposal, then consideration of

both upward and downward ramps would be technically sound alternative. If discrete ramp up and ramp down flexible capacity requirement is established in the interim, DR resources particularly would fill the need for ramp down needs by consuming energy; some of them may be constrained for load curtailments but flexible in consuming energy. Accordingly, Must offer time frame for these distinct products (ramp up and ramp down) could be different and of shorter period than proposed 5 am through 10 pm non-holiday weekdays for a single 3 hour ramp up product.

9.1.2.1 MOO for Hydro Resources: Straw proposal appropriately identifies that hydro resources are capable of providing significant amount of flexibility while they may not be able to meet dispatch obligation all the times. ISO's consideration of allowing a certain amount of ambient derates without substitution or availability charges for hydro resources is appropriate. As in the case of generic RA hydro resources automatic bid insertion for flexible capacity should not take place due to use limited nature.

PG&E's alternative proposal for hydro resources retains most of ISO straw proposal features except that the MOO obligation would end with the exhaustion of daily energy limit (6 hours or more). SWP believes this is a workable solution and still meets the CAISO's flexible capacity needs.

9.1.2.2 Constrained Thermal Capacity: a) Establishing of discrete ramp up and ramp down flexible capacity need would allow Pmin of a Long Start Unit to count towards ramp up flexibility need, otherwise a single attribute would now allow Pmin to be counted for flexible capacity if it has a start up time of more than 90 minutes. This illustrates the need to establish separate flexibility needs for ramp up and ramp down. Therefore, instead of setting a start up time cap for eligibility, flexible attributes should be designed in such a way that more and more resources should be able to qualify.

9.3: Standard Flexible Capacity Product: Ramp up and Ramp down capacity need would have different time frame for availability should there be a requirement for each category instead of a single attribute.

11. Please feel free to respond to any comments already submitted to the CPUC in R.11-10-023 as they apply to the ISO straw proposal or the Joint Parties proposal.

CDWR has following comments on some of the questions:

Questions on the Joint Parties' Proposal in Attachment A

A. Reliability Risk

1. What is/are the most critical grid reliability risk/risks that should be evaluated and

managed through the flexible capacity procurement initiative?

2. This proposal attempts to address reliability risk by recommending that the CPUC establish a monthly interim flexible capacity obligation that is based on the ISO's identified flexible capacity needs.

- a. Identify the key tasks required to implement this proposal. Propose the order in which they should be addressed, and discuss whether they should be taken up simultaneously or sequentially.
- b. Can the difference between load and net-load be met partially by introducing curtailment provisions in renewable contracts (particularly solar resources)? What are the implications of doing so?
- c. What are other options to alleviate the underlying reliability risk(s) (e.g. modified bidding behavior, incentives within procurement programs to procure resources that reduce identified reliability risks)? What are the benefits and drawbacks of addressing reliability risk by developing a flexible capacity obligation for LSEs relative to the alternatives?
- d. In addition to addressing reliability risk, does the flexible capacity obligation have other market impacts?
- e. How does this type of proposal, as compared to others, satisfy the Guiding Principles as set forth in the August workshop? (See Draft Guiding Principles in the Appendix to these questions)

B. Interim RA solution (Section 2)

3. The proposed flexibility procurement initiative institutes an interim RA solution for 2014-2017. What are the anticipated impacts of an interim approach on resource adequacy contracts? What factors should the CPUC consider in deciding whether an interim approach is appropriate?

The interim solution omits participating load which can provide flexible capacity attributes of varying nature (ramp down and ramp up); Use-limited resources can be part of the solution but the attribute requirements need to accommodate non-thermal ramping products. Maximizing the pool of resources' eligibility for flexibility should be the CAISO goal.

4. Should the flexible capacity start in 2014? Explain why or why not.

Depending on the need and ability to complete an appropriate design; To the extent ISO study identifies the need and existing mechanism does not meet the requirements, there may be a need. The implementation should also be subject to a design of product that is efficient and is associated with low cost.

C. Development of Eligibility and Needs Methodology (Section 3.1 and Section 3.2)

5. According to the proposal, "flexible capacity need" is defined as the need of the ISO to meet ramping and contingency reserves. (Section 3.1)

a. Is this an appropriate definition of flexibility? If not, please explain what might be an appropriate definition and why.

Flexible Capacity need should be classified into ramp up and ramp down and defined accordingly. The definition should represent comprehensive solution of generation resources and participating load.

b. Should flexible capacity needs encompass all of the contingency reserves (E.G. Spin, Non-spin, Regulation up/down)?

6. Flexibility needs are calculated according to the following formula (Section 3.2)-

Flexibility Need_{MTHy} = Max[(3RRHR_x)_{MTHy}] + Max(MSSC, 3.5% * E(PL_{MTHy})) + ε

Where,

Max[(3RRHR_x)_{MTHy}] = Largest three hour contiguous ramp starting in hour x for month y

E(PL) = Expected peak load

MTHy = Month y

MSSC = Most Severe Single Contingency

ε = annually adjustable error term to account for uncertainties such as load following

a. Is the above formula an appropriate measure to calculate flexibility needs and why?

Flexible Capacity defined as discrete ramp up and ramp down would have changed this formula.

- E.G. The ISO included the max of either a 3.5% of monthly expected peak load (EPL) or Most Severe Single Contingency (MSSC) factor to the need calculation. This is supposed to ensure that the ISO gets 100% of spinning reserve capacity needed to cover the MSSC.

- o What evidence supports using a 3.5% of EPL to provide the spinning reserve needs in an N-1 contingency?

- o Is it reasonable to require spinning reserves equal to 100% of MSSC? Please explain.

b. According to the proposal, flexible capacity need is based on how much ramp capability a resource can offer and sustain over a continuous three hour period. Is three hours an appropriate duration in which to measure ramping? Support your answer with empirical data when possible.

Flexible capacity need based on ramp up and ramp down need would have a different duration. Ramp up duration may be for 3 hours where as ramp down may be for different hours depending on the ISO determination of monthly flexibility needs.

c. Is adding an annually adjustable error to ramping requirements term to account for uncertainties appropriate?

- Should the error factor be capped? If so, what is an appropriate cap level and why?

- What criteria should be stipulated to provide appropriate boundaries on what can be included in the error factor (i.e. proportion of wind generation, or distributed generation)?

d. The ISO proposes to use minute-by-minute estimate of load to calculate flexibility needs. Please discuss the suitability of this approach and if this is not suitable, what are the other options?

e. It appears flexible capacity procurement is overlapping with the determination of operating reserves. Is this appropriate? Can some amount of the PRM be offset, and how can the CPUC manage the overall RA obligation if portions are met with more flexible resources?

7. What process(es) or proceeding should be used to calculate capacity flexibility needs as load and supply change over time?

a. Currently the annual LCR process results in a determination of local capacity needs on an annual basis. Should flexible capacity needs be included within the LCR process, or should a separate but similar process be established to update flexible capacity needs? Please explain.

b. Who should determine flexibility needs annually– the ISO or some other third party?

D. Allocation of Flexible Capacity Requirements (Section 3.3 and Section 3.4)

8. The proposal recommends the CPUC allocate flexible capacity procurement obligations to LSEs based on each LSE’s relative share of monthly system peak.

Is this a suitable approach? Explain why or why not.

Allocation of flexible capacity requirement as determined by ISO should not be allocated to loads only, if it is reasonable to allocate to other entities that cause flexibility needs following the cost causation principle.

a. What other alternatives exist within CPUC jurisdiction that allows LSEs to demonstrate compliance of flexible capacity obligations? Please discuss the relative costs and benefits of different approaches. (Section 3.3)

E. Flexible Capacity Must-offer Obligations (Section 4)

9. In addition to the must-offer obligations that currently apply to RA resources, the flexible capacity must-offer obligation for flexible resources would require resources to submit economic bids into the ISO’s real-market between a predetermined set of hours (i.e. 5AM to 10PM).

a. What is the impact of this more stringent must-offer obligation for flexible resources on specific resources?

Many capable resources such as hydro resources would be ineligible to provide needed flexible capacity.

b. Is the proposed set of hours suitable? Does limiting the hours in which a resource must submit economic bids enable more resources to participate in the flexible capacity initiative?

Ramp up and ramp down capacity established as flexible capacity needs would promote participation of a large number of resources including demand response resources to provide ramp down capacity by consuming energy. In order for use limited hydro resources to be able to provide flexible capacity hours must be reduced when ramp up capacity is needed most (as proposed by PG&E).

c. Is it appropriate to exclude self-scheduled resources from counting towards flexibility?

No. See comments above at 10.

d. Can this risk be alleviated partially by incentivizing resources with Must-Offer Obligations to submit economic bids in the ISO market instead of self-scheduling? What changes could be contemplated within regulatory proceedings at the ISO and the CPUC, to make it conducive for resources to submit economic bids instead of self-scheduling their energy?

F. Eligibility (Section 5.1)

10. According to the proposal, a resource must be able to ramp and sustain energy output for a minimum of three hours to qualify as flexible. Is this a suitable condition to determine eligibility for flexible resource? (Section 5.1) Please

explain why or why not.

11. Is the ISO proposed mechanism to modify the resource’s master file to note flexible capacity as “dispatchable” appropriate? Please explain why or why not.

a. What, if any, capacity procurement impacts on current resources due to the bundling requirement can be anticipated (positive and negative)? (Section 5.2)

12. How can the integrity of the master file be maintained?

13. “Dispatchability” is as much a contractual term (i.e. bidding behavior) as it is a physical characteristic of a resource. How can generators list contractual terms in the MasterFile?

G. Flexible Counting Conventions (Section 5.3.2)

14. Joint parties evaluated three options for counting how a resource’s flexible capacity quantity would satisfy a flexible capacity procurement obligation. The three options are: 1) Pro-rata Option: Pro-rata sharing of flexible and generic capacity; 2) Differentiated Capacity Option: Distinguish flexible capacity from generic capacity; and 3) Count-all Option: Count all capacity from “dispatchable” generators as flexible.

a. Which option do you think is better and why? (Section 5.3.2)

Differentiated Option is appropriate because it identifies the value of resource both in terms of generic RA and flexible capacity. It appropriately identifies how much flexible capacity a resource can provide.

b. What would the impact(s) be on RA contracting for each approach?

c. What would be the impact of each approach on different types of resources, and particularly on preferred resources?

15. Please comment on the proposed counting conventions for –

a. Non-use limited thermal resources (Section 5.3.3.1)

i. The proposal states that resources with start-up times greater than 90 minutes would be eligible to offer flexible capacity between PMin and NQC. Is 90 minutes an accurate threshold for startup time? What resources would be at an advantage or disadvantage if this threshold was adopted?

If a separate ramp up flexible capacity need is established, Pmin would count for ramp up flexible capacity.

ii. What would be the impact on flexible generators with slightly longer startup time (120 minutes – 180 minutes)?

b. Use-limited thermal resources (Section 5.3.3.3)

c. Multi-stage generation resources (Section 5.3.3.2)

d. Hydro resources (Section 5.4)

i. The ISO and SDG&E recommend that the ISO establish a baseline output for hydro resources using the average hydro output over the previous five years. Is using an average output appropriate and what are the other approaches that can be adopted to calculate tis value?

R.11-10-023 FER/DMG/gd2

5

e. Intertie resources (Section 5.5)

- f. Any other resources for which counting conventions should be developed.
16. In order to increase transparency over RA capacity procurement, what data could be made public within confidentiality restrictions?
- What constraints should be imposed on sharing data such as ramp rate, PMin, PMax, or other values that may be considered confidential?
 - What are the best options to resolve disclosure concerns?
 - What tariff or BPM rules restrict data release?

17. Should there be different qualitative and quantitative metrics of flexibility for demand response and storage resources?

- Is so, what characteristics or criteria could be used to quantify flexibility for storage devices and demand response?

Demand response resources would benefit from one directional flexible capacity need; for example, a DR may be constrained for load drop but may be flexible to consume energy (i.e. provide ramp down capacity provided by generators). Participating Loads can effectively provide Ramp-Up flexible capacity and Ramp-Down flexible capacity (by consuming energy) if they are separate products. Therefore, as proposed, a single attribute flexible capacity product (that requires to move up and down in both direction) would limit its participation in flexible capacity. Discrete ramp up and ramp down capacity should be established as flexibility need.

- What demand response programs or types are most suitable for flexible resource eligibility?

Discrete ramp up and ramp down flexible capacity;

H. General

18. What are the specific impacts of the flexible capacity procurement initiative on procurement and contracting on Community Choice Aggregators and Electric Service Providers?

Appendix to Questions -- See question A(2)(f)

Draft Guiding Principles

- The Flexible Capacity Procurement initiative should be administratively simple. It should not impose an unnecessary administrative burden on the regulator, load serving entities (LSEs), or market participants.
- The Flexible Capacity Procurement initiative should result in minimal disruption to the RA program.
- The Flexible Capacity Procurement initiative should be commercially feasible. Allowing the market to distinguish and value a megawatt of capacity with appropriately defined flexible characteristics from a megawatt of generic capacity will facilitate compliance and market liquidity.
- The Flexible Capacity Procurement initiative should be dynamic and should be allowed to evolve with changing grid conditions.
- The RA program should seek to maintain reliability while minimizing costs through market mechanisms.
- The definition of flexibility should be technology neutral and prevent discrimination against all current and future resources that have the

required flexible characteristics.

7. The flexibility needs study should be transparent and consistent with CPUC-approved assumptions.

8. Flexibility procurement and valuation process should be conducted in a manner to ensure generator confidentiality.

9. The responsibilities of the ISO, the CPUC, and LSEs should be clearly defined.

10. The rules for generator valuation and LSE allocation should be transparent, consider how to promote efficient procurement, minimize market power opportunities, reward existing flexible resources, and incentivize the appropriate resource mix that results in the type and location of resources that are needed to maintain grid reliability.

(END OF ATTACHMENT B