

## California Department of Water Resources (CDWR) comments on

### FRAC MOO-- 5<sup>th</sup> revised straw proposal

CDWR appreciates the opportunity to provide its comments on the 5<sup>th</sup> revised straw proposal on FRAC MOO. CDWR respectfully submits the following comments:

- 1) Resource eligibility to meet FCR obligation by categories: The 5th revised straw proposal describes the flexible capacity must-offer obligation as “technology agnostic” and has created four categories of resources that can satisfy an LSE’s flexible capacity requirement. Although each category of FCR resource seems to be performance-based instead of technology-based, Category 1 imposes the requirement that the resource cannot be a use-limited resource. That restriction should be removed, because any resource—even a use-limited resource—that can satisfy the performance requirement of being able to operate continuously between 5:00am and 10:00pm should be classified as a Category 1 resource.

For example, the current proposal would prevent hydro resources, which are defined by the tariff as use limited resources by default, from being eligible to be designated as Category 1 resources. CDWR does not agree with this proposed provision. The must offer obligation for 17 hours a day for a Category 1 resource can be met by a use limited resource such as some hydro resources. As long as a capacity portion of a use limited resource can make it available for 17 hours, there should be no restriction to count it as Category 1 resource. Therefore, Category 1 resource should have the ability to make it available for 17 hours and should not be prevented from it being used as a Category 1 resource on the basis of use limited resource status.

- 2) Allocation of Flexible Capacity Requirement (FCR) obligation to LRAs:

- a) CDWR supports ISO’s rejection of PG&E’s proposal to allocate FCR to Local Regulatory Authority (LRAs) based on non-coincident period net load ramp. Allocation of FCR based on each LRA’s coincident contribution to the requirements of FCR is an appropriate approach, based on contributions to the largest net load ramps CAISO must meet.

- b) As proposed, each LRA would be allocated an FCR based on its average coincident contribution to the top five 3 hour net load ramps. All LSEs can satisfy their FCR using the same, fixed percentage of Category 1, Category 2, Category 3, and Category 4 resources. This is true even if an LSE, compared to other LSEs, contributes proportionately less to the 3 hour ramp labelled ‘D’ and more to the 3 hour ramp labelled ‘A’. So an LSE may be obligated to provide proportionally more Category 1 resources to satisfy its FCR compared to the amount that LSE contributed to the ‘D’ ramps. In contrast to the assumption that each LSE will have the same proportion of each category of resource in FCR allocation, in practice, proportions of each category of FCR resource could vary by LSEs depending on their historical load pattern and the intermittent resource portfolio. CAISO should present an analysis of whether it would be appropriate to allocate individual Category 1, 2, 3, and 4 requirements based on an LRAs specific contributions to the four types of ramping needs identified as A, B, C, and D on page 25 of the proposal. For example, for 2014, the analysis could be done for each LRA anonymously and published or could be provided to each LRA separately in a confidential manner.

- 3) Participating Load (PL) Eligibility for Flexible Capacity: ISO has indicated that PL resources are not currently eligible to provide flexible capacity. The proposal should state whether a PL is eligible to provide flexible capacity or not. If not eligible, the proposal should identify requirements for a PL resource to be eligible and advise what changes a PL owner should make (if any) to be considered.
  
- 4) Allocation of FCR to entities (that are not CAISO LSE) relying on intermittent resources from the CAISO BAA: There should be an assessment of the reliance on renewable resources (existing in the CAISO BAA) by entities outside CAISO BAA without a CAISO load-share, that are using those renewable resources as imports from CAISO BAA to meet their own compliance objectives in their balancing authority area, yet are not being allocated FCR as their load is outside CAISO. Cost causation principles would require all entities that rely on intermittent resources that exist within the CAISO BAA to be responsible for the FCR such resources would cause.

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