

Comments of the California Large Energy Consumers Association (CLECA)
on the 5th Revised Proposal on the Flexible Resource Adequacy Criteria
Must Offer Obligation (FRAC-MOO)

CLECA offers these limited comments on the 5th FRAC-MOO proposal. The ISO is forecasting its ramping needs for future years (through 2016) and proposes a combination of four categories of flexible resources to be used by LSEs to meet their future flexible capacity obligations. Category 1 resources can meet all of the ramping needs but, at a minimum, must meet the smallest secondary 3-hour load ramp for each month. The amount of Category 2 resources must not exceed the difference between the magnitude of the smallest 3-hour secondary net-load ramp and the largest 3-hour secondary net-load ramp. Category 2 resources can be used to meet Category 3 and 4 requirements. The amount of Category 3 resources must not exceed the difference between 95 percent of the monthly maximum flexible capacity requirement and the largest secondary 3-hour net load ramp. Category 3 resources may be used to meet Category 4 requirements. Category 4 resources cannot exceed five percent of the maximum 3-hour net-load ramp of the month.

The proposal provides for the possibility that preferred resources that can be flexible have an opportunity to be procured as Flexible RA Capacity. However, the structure of the proposal makes it easiest for gas-fired resources to meet the requirements in all four categories. If there is interest in using preferred resources, an LRA could direct the LSEs under its jurisdiction to start filling Flexible RA “buckets” starting with Category 4 and moving to Category 3, etc., using preferred resources to the extent possible. California energy policies and the Loading Order should lead the CPUC to take this approach.

The proposal notes that the basis of the flexible capacity requirement is the maximum 3-hour upward ramp and that the ISO will continue to assess the need for an explicit downward flexibility requirement. (5th proposal at p. 29, FN 23.) Preferred resources such as intermittent renewable resources will be better able to provide downward flexibility (via curtailment) than upward flexibility. DR should be able to provide both downward and upward flexibility; thus, the potential role of these resources may not be adequately reflected in the proposal at this time. As minimum load problems increase, downward flexibility is likely to be very valuable; the next iteration of the flexible RA capacity requirements should include provisions for resources to provide downward as well as upward flexibility.

The ISO, however, has yet to develop rules for dispatchable DR so that DRPs and LSEs can develop programs to provide this flexibility product. One of the outstanding issues is that a product that reflects the ability of DR to both increase and decrease load has not yet been developed. The ISO should focus now on developing the appropriate rules for dispatchable DR, first raised in a stakeholder meeting almost two years ago.

In addition, there is still some confusion about the definition of use-limited resources as it applies to the four categories, particularly with respect to storage and DR. If a resource is not needed, is that a use limitation? For example, whether or not a resource is needed for upward ramping during a period, it could have value for downward ramping in a subsequent period, e.g. during overgeneration. It should not be denied credit for this flexibility, but that appears to be the result under the current fifth FRAC-MOO proposal. This should be specifically addressed and corrected in the final FRAC-MOO tariff.

The proposal intends to use historical load data but forecast renewable output; this raises the question of how the ISO will forecast the impact on load of successive levels of dynamic rate design – which have been introduced and will apply over time to more and more customer classes. There will be a built-in lag due to the use of historical load data. The ISO says it will, as part of its flexible capacity requirement assessment, use a study methodology that captures the flexible capacity needed to reliably operate the system “while properly considering the resources that have the potential to modify the net-load curve such as load modifying demand-side management (i.e. energy efficiency and demand response that is not bid into the ISO market).” (5th proposal at p. 3.) It is not clear how this “proper consideration” can be reflected on a forward basis when the ISO relies on historical data. It appears that the ISO intends to address this through a stakeholder process. Successful stakeholder processes are driven by participation and input from key stakeholders. The CPUC, the CEC, and representatives of load are familiar with the impacts of EE, DR, and dynamic pricing; these key parties must be actively engaged in and able to impact the determination of the methodology to appropriately capture net-load curve modifications from demand-side management.

Lastly, CLECA is concerned about test events. The CPUC has proposed its own procedure for testing the availability of resources like DR for RA purposes. The ISO proposal suggests that it intends its own test events for EFC for Flexible RA. While the ISO notes that it must coordinate its proposed testing with that of the CPUC and other LRAs, the resource should not be subjected to two different tests just because the RA time window is different from the Flexible RA time window. Furthermore, the ISO proposes to compare the load change to the previous ten days of load data to measure the load reduction whereas the CPUC proposes to use the Load Impact Protocols; these two measures are inconsistent. The CPUC should have responsibility for determining the testing requirements for resources used by LSEs under its jurisdiction, whether for System RA or for Flexible RA.