



Dynegy Marketing and Trade, LLC Comments on 5th Revised FRACMOO Proposal

Jason Cox, Dynegy, 713-507-6413, Jason.cox@dynegy.com

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Dynegy appreciates the opportunity to provide comments on the CAISO's January 17, 2014 5th Revised Draft Flexible Resource Adequacy Criteria and Must-Offer Obligation proposal. Dynegy understands that the CAISO has proffered the following changes to the 4th revised proposal:

- The ISO will determine the contribution to all components, Δ Load, Δ Wind Output, Δ Solar PV, Δ Solar Thermal of the flexible capacity requirement allocation, not just changes in load, using a LSE's average contribution to each component during the top five daily maximum three-hour net-load ramps within a given month. This represents minor modifications to the previous straw proposal and is designed to mitigate the impact of anomalous wind and solar outputs. Δ Wind Output, Δ Solar PV, and Δ Solar Thermal contributions will be done using forecasted contributions, while Δ Load will use historic contributions. Additionally, instead of the percentage of the total intermittent capacity contracted by each LRA's jurisdictional LSEs to determine the LRA's contribution to the flexible capacity requirement, as was proposed in the fourth revised straw proposal, the ISO will provide a forecast of each LRA's specific contribution to the requirement based on the specific RPS portfolios submitted to the ISO.
- The ISO market rules will require two RA showings for month-ahead and year-ahead RA showings: One for system and local capacity and a separate showing for flexible capacity. Resources that are only on the flexible capacity showing will be subject to the flexible capacity must-offer obligations, resources on the generic, system and local, capacity showing will be subject to the generic system and local capacity must-offer requirements, and resources on both showings will be subject to both generic and flexible must offer requirements.
- The ISO proposes to develop four distinct technology agnostic flexible capacity categories and accompanying must-offer obligations designed to meet the system's flexible capacity needs. These categories are derived from a needs-based approach of the flexible capacity categories needed to reliably operate the system. Consistent with the derivation of the flexible capacity requirement, the ISO proposes to set the distinct flexible capacity categories based on changes to the net-load curve.
- The ISO proposes to use the same price for the backstop procurement of flexible capacity as it uses for the procurement of generic system and local capacity under its capacity procurement authority. This pricing scheme will remain in effect until the ISO replaces its capacity procurement mechanism, which expires in February 2016.
- Finally, the ISO proposes to delay final development of the items listed below to later in 2014 for implementation in fall of 2015 for the 2016 resource adequacy compliance year:
 - Standard Flexible Capacity Product: There is not currently a clear basis to establish a price for this incentive mechanism. Deferring this item would allow the pricing of this incentive mechanism to be informed by two other related policy initiatives: (1) the Reliability Services Auction, and (2) the Flexible Ramping Product.
 - Use-limited Resources – Opportunity Cost Methodology: Because the ISO is deferring the Standard Flexible Capacity Product, there is no additional cost risk associated with



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replacement or substitution of flexible capacity from applying flexible capacity must-offer obligations of each of the identified categories. Therefore, the ISO will defer further development of this aspect of the straw proposal.

- Substitution rules for resources on forced outage: The ISO believes that it is appropriate to defer a requirement to provide substitute flexible capacity until resources' SCs have a complete set of tools to effectively manage potential outage risks. These tools include the opportunity cost calculation for start-up and minimum load costs for use-limited resource.

Dynegy offers the following comments the 5th Revised FRACMOO Proposal:

- Dynegy concurs with and applauds CAISO for proposing technology agnostic categories for Flexible Capacity as well as having the categories based on the actual physical needs of the CAISO system.
- Value of Flexible Capacity in CAISO Markets:
 - DMM raised the issue of the value of Flexible Capacity in the CAISO market
 - If CPM is the backstop price (for CAISO backstop procurement), what is the incremental value?
 - How will shortage or scarcity of Flexible Capacity manifest itself?
 - What does it mean to bid economically into the Day-Ahead and Real-Time Markets?
- Does the inclusion of the Most Severe Single Contingency (MSSC) or 3.5% of peak load double count Spin & Non-Spin amounts or does it simply redefine the requirements of these contingency reserves to be procured as Flexible Capacity?
- MSG issues
 - CAISO states that multistage generating resources' EFC is calculated assuming the resource is at a cold start and in a 1x1 configuration, yet the latest [EFC report](#) for our 2x1 units shows NQC (2x1)-Pmin (1x1) as the EFC.
 - Please clarify which method CAISO will use. If the above method is correct it seems that the CAISO is leaving a lot of Effective Flexible Capacity on the table and doesn't follow how the vast majority of combined-cycle plants are being operated.
- The Delta Load term that CAISO will calculate uses historical values; please clarify whether or not they will be modified for current projections of (BTM) distributed generation?
- Deferred items - Dynegy concurs with the CAISO proposal to defer development of the SFCP incentives, replacement obligations, and opportunity cost methodology for use-limited resources.

Thank you for your consideration of our input on this proposal.