

Stakeholder Comments Template

**Flexible Resource Adequacy Criteria and Must-Offer Obligation
Straw Proposal, July 25, 2013**

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the Flexible Resource Adequacy Criteria and Must-Offer Obligation revised straw proposal on July 25, 2013, and issues discussed during the stakeholder meeting on August 1, 2013.

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 August 15, 2013.

1. The ISO has proposed a process by which an annual flexible capacity requirement assessment would be conducted. Please provide any comments or questions your organization has regarding this proposed process.

Based on the presentations, questions and answers at the stakeholder meeting, it seems that the CAISO is eager to implement an allocation scheme as quickly as possible without adequate concern for the accuracy of the allocation determinants or whether the signal sent by the allocation attributes cause entities to change their behavior to reduce the amount of flexible capacity needed.

During the meeting Doug Parker from SCE and others expressed our concerns well. The CAISO seems in a rush to implement anything, even if it means sacrificing using appropriate and effective allocation and obligations signals. We are concerned that once something is implemented, there will not be adequate impetus to modify the rules to "get it right". Furthermore, adding another "phase" creates additional costs and resource burdens for the CAISO, market participants and other stakeholders. Thus, we do not support the rushed implementation of the wrong solution. It may not be possible to implement an optimal solution, but the solution must be fair and send signals

that produce the desired response. Sufficient information was not provided in the meeting to give us confidence that the proposal is fair or creates the right incentives.

In theory, for each causal factor (wind change, solar change, load change, etc), the CAISO should determine the contribution of each LSE to the ramp and then sum up the contribution of each LSE to get the total requirements for each LRA. At this point, we do not oppose using the largest 3-hour net load ramp for each month to determine each SCs' share of the requirement for each month. However, there needs to be a discussion about the use of historical information because history may not be representative of the future for each SC and each causal factor. For instance, the amount of in-state intermittent resources in a LSE's portfolio may significantly change from year to year and for smaller LSE's the loss of a significant "peaky" customer could significantly impact how much the LSE's total load changes over the ramping period. Historical data may need to be adjusted if it can be done fairly and accurately

2. The ISO has outlined a methodology to allocate flexible capacity requirements to LRAs. It is based on one possible measurement of the proportion of the system flexible capacity requirement to each LRA and calculated as the cumulative contribution of the LRA's jurisdictional LSE's contribution to the ISO's largest 3-hour net load ramp each month. Please provide comments regarding the equity and efficiency of the ISO proposed allocation. Please provide specific alternative allocation formulas when possible. The ISO will give greater consideration to specific allocation proposals than conceptual/theoretical ones. Also, please provide information regarding any data the ISO would need to collect to utilize a proposed allocation methodology. Specifically,
 - b. What measurement or allocation factor should the ISO use to determine an LRA's contribution to the change in load component of the flexible capacity requirement?

For the load component, the CAISO should determine the contribution of each LSE to the ramp and then sum up the contribution of each LSE to get the total requirements for each LRA. However, this is not as easy as it sounds. Is historical or forecast information used? If historical information is used, there should be a process, as there is for other RA requirements, to make adjustments based on load migration. Furthermore, the contributions must be adjusted if the absolute value of the sum of load changes is not equal to the sum of the values (i.e.: one of more LSEs had a load change that went in the opposite direction of the majority) or the total requirement will exceed the CAISO's actual resource need.

As stated above, at this point, we do not oppose using the largest 3-hour net load ramp for each month to determine each SCs' share of the requirement for each month.

During the meeting, staff was not able to describe how the load ramp requirement would be allocated to LSEs. In private conversation toward the end of the day, I learned that the words used in the presentation did not align with what staff was actually considering. The plain meaning of the words chosen actually signaled that the CAISO was considering an inappropriate and inaccurate allocation and the staff presentation was consistent with this incorrect interpretation. I wasted time, energy and brain power in the meeting trying to analyze an allocation methodology that was not what the CAISO was proposing because the written and oral presentation were misleading. Because I was trying to wrap my mind around a non-existent proposal, I lost out on the opportunity to interact on other topics or consider the CAISO's actual proposal and wasted everyone's time asking questions and stating points of fact that were unnecessary.

- c. Does your organization have any additional comments or recommendations regarding the allocation of flexible capacity requirements?

A reasonable level of allocation accuracy and the strength and vector of the signal created by the allocation determinants are more important than an expedient implementation.

6. Are there any additional comments your organization wishes to make at this time?

- (a) Get it right, not fast.
- (b) Use allocation determinants that reflect causation.
- (c) Use allocation determinants that are fair and fairly implemented.
- (d) Use allocation determinants that send signals to change behavior (magnitude or force of signal should be aligned with reality).
- (e) To the extent feasible, allocations should reflect the current impact of each LSE, not historical or forecasted impacts.
- (f) Reduce the total requirements to account for overlapping factors, when appropriate.