

Stakeholder Comments Template

**Flexible Resource Adequacy Criteria and Must-Offer Obligation
Fifth Revised Straw Proposal, Posted January 17, 2014**

Submitted by	Company	Date Submitted
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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 fcp@caiso.com no later than the close of business on January 31, 2014.

IEP appreciates the opportunity to provide these brief comments to the CAISO’s “Market and Infrastructure Policy: Fifth Revised Straw Proposal” (dated January 17, 2014). IEP’s understanding is the CAISO proposes to circulate a Draft Final Proposal on February 7, 2014 in order to incorporate and/or clarify various issues raised by stakeholders. Accordingly, IEP comments herein are not an endorsement of the CAISO’s Flexible Resource Adequacy Criteria and Must-Offer Obligation per se pending our review of the Draft Final Proposal.

In the meantime, IEP offers these general comments:

First and foremost, as a general matter, IEP supports the approach proposed by the CAISO in this Fifth Straw Proposal with regards to the Flexible Resource Adequacy Criteria and Must-Offer Obligation, i.e. the so-called FRACMOO proposal. Unlike the prior proposals, this latest proposal applies a “product-based” approach based on the operational needs of the CAISO and operational capabilities of suppliers. We believe this is the proper general approach to pursue, rather than technology-based capacity availability determinations.

Second, IEP recommends that the next iteration, e.g. the Draft Final Proposal, clarify three additional points not raised in the stakeholder meeting on January 23, 2014:

1. We request that the CAISO clarify how various technologies and/or resources are anticipated to “fit” into the various “flexible capacity categories.” We think it would be helpful to include some brief examples of how, for example, storage and DR resources are anticipated to fit, and their concomitant obligations depending on their must-offer obligation. Particularly for the so-called “preferred resources,” the details

matter and a full understanding among all stakeholders as to how these resources are expected to participate in this general approach would be helpful.

2. We request that the CAISO clarify how flexible ramping product and the flexible ramping constraint fit together in the context of the FRACMOO proposal. What is the relationship between these two functions? We believe that they are connected, but the latest straw proposal was ambiguous on this matter.
3. We request that the CAISO elaborate more fully on the extent to which CHP will be afforded the flexibility to self-schedule in the CAISO flexible capacity market(s). CHP is uniquely positioned to provide energy efficiency and GHG emissions reductions, and IEP believes that if properly designed the CAISO flexible capacity market may elicit additional flexible capacity supply from CHP resources. To accomplish this positive outcome, however, CHP requires the opportunity to self-schedule its available flexible capacity to the CAISO. While the details of CHP self-scheduling need to be addressed in more detail in the stakeholder process, for example to ensure against double-counting of CHP-derived flex capacity, IEP urges the CAISO to develop some broad parameters for this to be achieved and integrate the concept into the Near Final Draft Proposal.

Third, the CAISO proposes to apply the Capacity Procurement Mechanism (“CPM”) to address deficiencies in an LSE’s flexible capacity procurement. IEP notes that the CPM was developed and implemented in the context of deficiencies in an LSE’s generic capacity obligation (system and/or local). Flexible capacity, as noted by the CAISO, is a different product. While IEP can appreciate the necessity of moving forward with a flexible capacity construct as soon as possible, and the availability of the CPM for 2015 facilitates this outcome, we do note that the current CPM expires in early 2016. The CAISO will soon initiate a stakeholder process to consider a replacement for the current CPM. In this regard, to the extent that the CPM is to apply for flexible capacity, then the CPM must be developed in recognition of the disparate values associated with system, local, and flexible capacity resources. A “one-size-fits-all” structure may not be just and reasonable in this context.