

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.

IEP is supportive of the process for determining an annual flexible capacity requirement assessment.

Presently, the proposal is a 90 percent monthly flexibility procurement obligation one year ahead; and, a 100 percent flexibility procurement obligation one-month ahead. This is similar to what exists for “system” RA today. In the context of creating an LSE obligation to make a “showing” in 2014 for 2015, applying the “system” RA percentages makes sense due to limited time. On the other hand, in terms of an on-going flexible RA procurement obligation (either in one year ahead or a multi-year forward context), IEP recommends revisiting these percentages to ensure that they are set at a level to achieve the planning and procurement behaviors necessary to maintain overall grid reliability.

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.

IEP supports assigning a flexible capacity procurement obligation on Load-Serving Entities ("LSE"). In addition, allocating the flexible RA based on a local reliability area ("LRA") to the LSE based on peak-load ratio share seems reasonable. To the extent that other parties offer alternative proposals regarding how to allocate flexible RA among LSEs, we look forward to hearing and discussing other parties' alternative proposals.

Also, please provide information regarding any data the ISO would need to collect to utilize a proposed allocation methodology. Specifically,

- a. Over the course of a day or month, any of the identified contributors to the change in the net load curve may be positive or negative. How should the ISO account for the overall variability of a contributor over the month (i.e. how to account for the fact that some resources reduce the net load ramp at one time, but increase it at others)?
- 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?
- c. Does your organization have any additional comments or recommendations regarding the allocation of flexible capacity requirements?

IEP withholds comments on this section at this time.

3. The ISO has proposed must-offer obligations for various types of resources. Please provide comments and recommendations regarding the ISO's proposed must-offer obligations for the following resources types:
 - a. Resources not identified as use-limited

IEP requests clarification as to the treatment of self-schedules of non-use limited resources under its proposal to require economic bids for energy in the DA and real-time markets.

b. Use-limited resources

IEP supports the development of flexible capacity products that are clearly defined and operationally based. Once having expressed these products, all technologies capable of meeting the need, and abiding by prescribed performance obligations, ought to be eligible to compete to provide the product. Given clearly defined, flexible capacity product needs, we recognize that many so-called use-limited resources may have flexible RA capacity available even after taking into account the limitations on use.

1. Please provide specific comments regarding the ISO's four step proposal that would allow resources with start limitations to include the opportunity costs in the resource's start-up cost.
2. Please provide information on any use-limitations that have not been addressed and how the ISO could account for them.

CHP is an additional resource that ought to be treated as a use-limited resource. Depending on their size and operational characteristics, some CHP resources have the ability to provide a flexible capacity product to the CAISO while adhering to associated performance obligations once having sold that available flexible capacity. For example, hypothetically, a 500 MW CHP facility may have 300 MWs committed to match its thermal obligation, and it may have 200 MWs of flexible capacity available to the CAISO. Under this scenario, the proper accounting for the resource's flexible capacity would not be the difference between resources P_{min} and P_{max} , since the resource may have a thermal obligation above its P_{min} . Rather, the amount of flexible capacity available to the CAISO should properly be defined as the difference between " $P_{min}plus$ " (taking into account the thermal obligation) and P_{Max} .

The FlexMoo program should enable use-limited resources such as CHP to specify their availability to provide flexible capacity in light of their use limitations. This flexible capacity availability would be prescribed in the resource's CAISO Master File. Accordingly, the resource would (a) specify in its Master File the availability of its flexible capacity, (b) subject to the availability of the resource prescribed in the Master File, the CAISO would call on the resource as appropriate under the FlexMoo Program, and (c) for that amount of flexible capacity sold, the use-limited resource would be subject to the performance obligation similar to resources that are not use-limited.

c. Hydro Resources

d. Specialized must-offer obligations (please also include any recommended changes for the duration or timing of the proposed must-offer obligation):

While the availability of flexible capacity from use-limited resources may vary from other resources, once use-limited resources have committed to provide a flexible capacity product then they must be subject to performance obligations similar to resources that are not use-limited.

1. Demand response resources
 2. Storage resources
 3. Variable energy resources
4. The ISO has proposed to include a backstop procurement provision that would allow the ISO to procure flexible capacity resources to cure deficiencies in LSE SC flexible capacity showings. Please provide comments regarding the ISO's flexible capacity backstop procurement proposal.

IEP is not aware of any commercial or technical reason for adopting a different set of performance obligations for flexible RA as exists for generic RA (system and/or local). IEP assumes that the following CAISO Tariff provisions will apply to the provision of flexible RA capacity:

- Section 9.3.1.3.1 (Replacement Requirement for LSEs);
- Section 9.3.1.3.2 (CAISO Replacement Determination for LSE RA Plans);
- Section 9.3.1.3.3 (Replacement Requirement for RA Resources).

We request clarification as to whether these sections will govern the FlexMoo program.

To the extent that CAISO Backstop Procurement is triggered, The CAISO proposes that backstop procurement initially will be through the Capacity Procurement Mechanism (CPM). As a general matter, the CPM mechanism was not designed nor priced in the context of backstopping flexible capacity. However, given the limited duration of the CPM (early 2016), using this backstop mechanism may appear reasonable for the initial program period. Ultimately, the

price paid for backstop procurement should be set at a level to dis-incent LSEs from leaning on the CAISO's backstop procurement authority.

5. The ISO is not proposing to use bid validation rules to enforce must-offer obligations. Instead, the ISO is proposing a flexible capacity availability incentive mechanism. Please provide comments on the following aspects of the flexible capacity availability incentive mechanism:

IEP withholds comments on this section at this time.

- a. The proposed evaluation mechanism/formula
 1. The formula used to calculate compliance
 2. How to account for the potential interaction between the flexible capacity availability incentive mechanism and the existing availability incentive mechanism (Standard Capacity Product)
 - b. The use of a monthly target flexible capacity availability value
 1. Is the 2.5% dead band appropriate?
 2. Is the prevailing flexible capacity backstop price the appropriate charge for those resource that fall below 2.5% of monthly target flexible capacity availability value? If not, what is the appropriate charge? Why?
 - c. Please also include comments regarding issues the ISO must consider as part of the evaluation mechanism that are not discussed in this proposal.
6. Are there any additional comments your organization wishes to make at this time?

IEP withholds comments on this section at this time.