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Comments of Northern California Power Agency Flexible Resource Adequacy Criteria and Must-Offer Obligation Fifth Revised Straw Proposal

January 31, 2014

Northern California Power Agency (“NCPA”) is pleased to have the opportunity to comment on the CAISO’s fifth revised straw proposal regarding Flexible Resource Adequacy Criteria and Must-Offer Obligation (“FRAC-MOO”), and comments as follows.

Allocation of Flexible Capacity Requirements

As described in Section 5 of CAISO’s fifth revised straw proposal, NCPA supports CAISO’s proposed methodology for allocating flexible capacity requirements, including CAISO’s recognition of a MSS load-following LSE’s preexisting contractual obligation to match supply and demand within its MSS portfolio in each applicable settlement interval. The proposed allocation methodology tracks the principles of cost causation by reflecting the contribution each load serving entity makes to the CAISO’s flexibility needs through its own portfolio of resources and appropriately recognizes existing flexibility contributions.

Flexible Capacity Showings

NCPA supports CAISO’s proposal to require two separate resource adequacy showings; one showing for generic capacity (system and local capacity) and one showing for flexible capacity, which provides for administrative efficiency.

Flexible Capacity Requirement Categories

NCPA believes that Use-Limited resources with operating characteristics that are consistent with the need-based requirements described by CAISO should not be automatically excluded from category 1 (unlimited flexibility). As described in Section 5.5 of CAISO’s fifth revised straw proposal, a category 1 resource must have flexible capacity that can be made available to the CAISO market through economic bids submitted daily from 5:00 a.m. through 10:00 p.m., and must be able to operate continuously during all of the same hours. There are certain Use-Limited resources that would be able to satisfy this requirement even though they are registered as Use-Limited in the CAISO master file. For example, a hydroelectric resource may have sufficient fuel (water) to operate continuously at full or partial capacity during the stated hours. The Use-Limited nature of the facility may be seasonal or longer term; for example the current reservoir storage levels may be sufficient to satisfy these operating requirements for a number of months during the year, but the resource may be categorized as Use-Limited because it cannot operate at this level for all 12 months of the year. Also, a Use-Limited hydroelectric resource may be able to satisfy the stated

requirements operating continuously at a level that is less than its full capacity, but due to the fact that CAISO automatically classifies all hydroelectric resources as Use-Limited such a resource would be arbitrarily excluded from satisfying a category 1 requirement.

NCPA believes that a resource's eligibility to qualify as a category 1 resource should be based on its specific operating characteristics and capabilities, rather than on a CAISO presumption that a resource that is registered as Use-Limited cannot satisfy the requirements. Therefore, NCPA proposes that the category 1 requirements be modified so that any resource that can satisfy the following operating characteristics (regardless of whether or not the unit is registered as a Use-Limited resource) is eligible to satisfy the category 1 requirements:

- Must have the ability to start at least twice each operating day; and
- Must be capable of providing capacity and energy equal to the stated category 1 eligible capacity amount (MW equal to or less than full capacity) during the period of 5:00 a.m. through 10:00 p.m. each day during the period in which the resource provides flexible capacity

NCPA also requests CAISO to clarify in its next proposal that a single flexible capacity resource may provide flexible capacity in one or more of the stated categories. This will properly recognize that many resources have different operating characteristic and capabilities relative to different operating ranges. For example, a hydroelectric resource with a 100 MW rated capacity may have sufficient reservoir storage to satisfy category 1 or 2 requirements when operating in the range between 0 to 20 MW, and at the same time have sufficient reservoir storage to satisfy category 3 or 4 requirements when operating in the range between 20 MW and 100 MW. In this case, such resource should not be limited to supplying flexible capacity in a single category