



Stakeholder Comments

**Flexible Resource Adequacy Criteria and Must-Offer Obligation  
Revised Draft Tariff Language, Posted June 27, 2014**

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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The Office of Ratepayer Advocates (ORA) provides the following stakeholder comments on the June 27, 2014 Flexible Resource Adequacy Criteria and Must-Offer Obligation (FRAC-MOO) Revised Draft Tariff Language, and recommends the following changes to the Revised Draft Tariff language:

1. The CAISO should assign Flexible Capacity (FC) category types and quantities to each resource according to the CAISO's FC categorization methodology. The CAISO should publish this data along with the final effective flexible capacity (EFC) values.
2. The CAISO's proposed Local Regional Authority (LRA) allocation methodology for FC requirements continues to differ from the methodology recently adopted by the California Public Utilities Commission (CPUC). This may create conflicting procurement obligations in the event of a collective deficiency.
3. The Revised Draft Tariff Language fails to adequately resolve issues previously noted in comments by ORA and should not be submitted to the Federal Energy Regulatory Commission (FERC) as written.



## **General Comments**

The CAISO's revised draft language addresses several significant concerns voiced by ORA, the Energy Division and other parties related to discrepancies between the FRAC-MOO and the CPUC's Resource Adequacy (RA) program. ORA supports the CAISO's efforts to align the FRAC-MOO with the CPUC RA program and maintain the existing cooperative efforts of the two organizations to ensure grid reliability and adherence to the state's mandates and goals.

ORA recommends the following changes to specific areas of the revised draft tariff language in order to address lingering discrepancies between the FRAC-MOO and the CPUC RA program:

### **Section 40.10.4 Effective Flexible Capacity (EFC)**

Section 40.10.4 specifies the calculation methodology for determining EFC values and orders the CAISO to publish EFC values in a timely manner for Load Serving Entity (LSE) procurement. Section 40.10.3 defines FC Categories and authorizes the CAISO to set minimum or maximum quantities. However, the Revised Draft Tariff lacks a mechanism to assess resource specific category values for FC. Therefore, LRAs and LSEs required to procure FC will not have the benefit of CAISO's FC category determination, but will be forced to rely on each resource's self-assessment of FC category and quantity. The CAISO could reassess the reported filings for deficiencies based on its final FC category determination made after the LSEs have submitted RA filings in a good faith effort to meet their CPUC RA obligations. If the CAISO elects to procure capacity to resolve a deficiency, the LSEs will be forced to pay for the additional capacity despite their best efforts to comply with FRAC-MOO rules. To prevent this inefficient and potentially costly result, the CAISO should assign FC category types and quantities to each resource and should publish this data along with the final EFC values.

### **Section 40.10.2.1 Calculation of LRA Allocations**

The proposed calculation methodology for LRA FC allocations differs from the methodology adopted by the CPUC in its recent RA Decision (D.) 14-06-050. The RA Decision stated, "It is our expectation that the CAISO will align its evolving FRAC-MOO proposal as closely as



possible to the framework adopted in this decision.”<sup>1</sup> The RA Decision requires the continued use of load-ratio share methodology for FC allocations while alternative allocation methodologies are explored in the RA proceeding.<sup>2</sup> Section 40.10.2.1 of the Revised Draft Tariff language would adopt a causation methodology for calculating FC that differs from D.14-06-050 and ignores the direction of the CPUC to further develop causation principles in next year’s CPUC RA proceeding. As with EFC categorization discussed above, in the event of a collective deficiency, LSEs may be forced to pay for the additional capacity despite their best efforts to comply with FRAC-MOO rules.

### **Unresolved Issues**

ORA expressed significant concerns about the CAISO FRAC-MOO tariff language in prior comments.<sup>3</sup> The CPUC’s Energy Division’s comments submitted to the CAISO also elaborated on substantial disagreements with the Draft Tariff language.<sup>4</sup> While the Revised Draft Tariff language addresses some of the CPUC’s concerns, it leaves significant issues unresolved<sup>5</sup> and should not be submitted to FERC until the CAISO and the CPUC have resolved these issues.

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<sup>1</sup> Decision (D.)14-06-050 Adopting Local Procurement and Flexible Capacity Obligations for 2015 and Further Refining the Resource Adequacy Program, June 26, 2014, p. 16.

<sup>2</sup> D.14-06-050, p. 20.

<sup>3</sup> Comments on Flexible Resource Adequacy Criteria and Must-Offer Obligation Draft Tariff Language, Posted May 19, 2014, filed by ORA on May 27, 2014; Comments on Flexible Resource Adequacy Criteria and Must-Offer Obligation Draft Tariff Language, February 7, 2014, filed by ORA on February 21, 2014.

<sup>4</sup> Comments of the Staff of the California Public Utilities Commission Flexible Resource Adequacy Criteria and Must-Offer Obligation Draft Tariff Language (May 19, 2014 version).

<sup>5</sup> ORA Comments filed on May 27, 2014 recommended creation of flexible categories within CPUC proceedings, pp. 2-3; and that the CPUC should determine EFC, p. 3.