

## Stakeholder Comments

### **Flexible Resource Adequacy Criteria and Must-Offer Obligation 5<sup>th</sup> Revised Straw Proposal**

Submitted by	Company	Date Submitted
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SCE submits the following comments on the CAISO's FRAC-MOO Initiative. These comments are based upon SCE's review of the CAISO's FRAC-MOO 5<sup>th</sup> Revised Proposal<sup>1</sup> (Jan 17, 2014) and SCE's participation in the discussion during the Jan. 23 Workshop.

SCE generally supports the CAISO's current proposal and appreciates the CAISO's willingness to change the direction of key aspects of the CAISO's proposal.

#### Must Offer Obligation

SCE supports the Category Must Offer Obligation (MOO) framework as far superior to the prior resource specific MOO framework because it:

- 1) reasonably aligns flexible resource availability with CAISO need,
- 2) appropriately limits dependence on use-limited flexible resources based on the degree of use limitation, and
- 3) is technology neutral and therefore non-discriminatory.

SCE believes that the CAISO's currently proposed method to calculate the minimum and/or maximum contribution of each category to meeting the identified monthly flexible need is acceptable for the interim period associated with this proposal, which SCE believes is thru planning period 2017.

#### Allocation Methodology

SCE does not believe changing to the Category MOO framework necessarily changes or should change the methodology the CAISO uses to allocate monthly flexible capacity requirements to LRAs. Within the existing RA framework, "how much we need" and "how it gets used", while somewhat related, are largely separate questions where allocation is a concern of the former and MOO design is a concern of the latter. A properly designed allocation methodology should reflect an LSE's (or LRA's) contribution to the peak monthly flexible capacity need whereas the flexible capacity MOO - whether Category or resource specific - should ensure the flexible

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<sup>1</sup> <http://www.caiso.com/Documents/FifthRevisedStrawProposal-FlexibleRACriteriaMustOfferObligation.pdf>

resources shown by LSEs to meet that monthly peak need are available throughout the month when needed.

SCE continues to be concerned that the CAISO's proposed allocation methodology does not properly reflect each LSE's contribution to monthly flexible capacity needs. Specifically, SCE continues to believe that the allocations produced by the CAISO's methodology, particularly in the summer months, are prone to data and modeling effects that are not reflective of true operating conditions or a resource group's actual impact on flexible capacity needs.<sup>2</sup>

While SCE appreciates the CAISO changing the proposed allocation methodology to now use the average of the top five three-hour ramp components rather than just the peak three-hour period components (for wind and solar), SCE believes that even these results continue to illustrate the benefits of at least smoothing out the anomalous allocation factors by averaging the allocation for the four summer months (June – Sept).

#### SFCP and CPM Pricing

SCE supports the CAISO's proposal to:

- 1) not include an explicit SFCP mechanism or modify CPM pricing (from what it otherwise would have been) for planning year 2015, and
- 2) to continue the stakeholder discussion of whether and what appropriate forward price and incentive pricing should be established for flexible capacity.

SCE understands that as part of this deferral the CPM tariff will change to include explicit authority for the CAISO to backstop procure for flexible capacity showing deficiencies.

#### Requests for clarification

Would the CAISO please clarify that it is the CAISO's intention to use the LRA's methodology to determine the LSE's respective flexible capacity requirement allocation as the basis for determining which if any LSE is deficient in an applicable showing and for determining how to allocate any applicable backstop procurement costs.

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<sup>2</sup> SCE still has concerns over various aspects of the CAISO's proposal, including cost allocation solely to load.