

Flexible Resource Adequacy Criteria and Must-Offer Obligation February 7, 2014

Submitted by	Company	Date Submitted
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SDG&E appreciates the opportunity to comment on the Draft Final Proposal for Flexible Resource Adequacy Capacity Must Offer obligations. SDG&E in general supports the ISO's latest revision to its proposal. SDG&E provides the following suggestions and requests for clarifications in order to better assist the ISO in the development of its Tariff and programs.

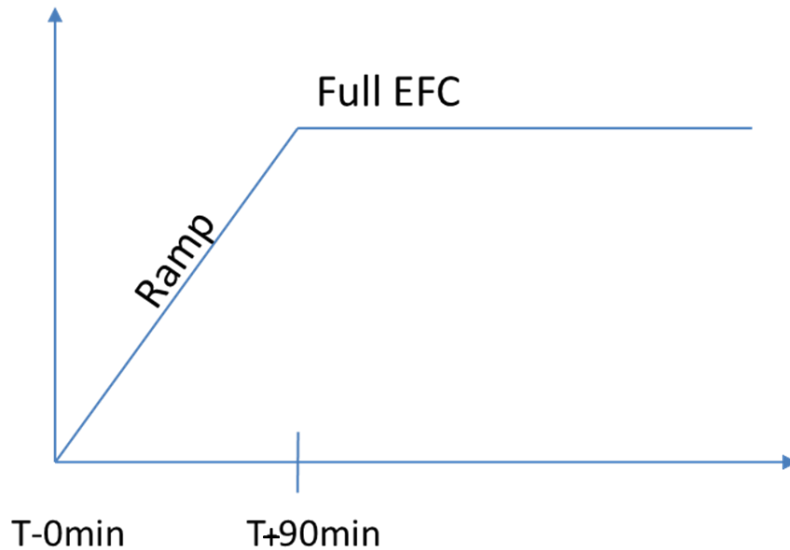
EFC List

SDG&E recommends the ISO allow an SC for a resource to update the EFC list monthly, similar to the NQC list update process, in order to allow newly constructed dispatchable resources to be added to the list. Newly constructed dispatchable resources should have an exemption from this low hurdle test of having bid at least once in prior year's real time markets as those resources have never participated in the ISO markets.

Flexible Capacity Categories (FCC)

The ISO has merged Category 1 and Category 2 of the 5th revised draft straw proposal into a singular Base Flexibility Category. SDG&E would like the ISO to clarify several requirements in this new Category.

First, Category 1 requires a minimum 6 hours of energy at full EFC. Assuming a continuous 6 hours for simplicity, does this mean that the 6 hours starts when the resource ramps to its full EFC (T+90min) or does it start when the resource begins its ramp(T-0min)?



Second, SDG&E requests clarity around the statement that the requirement is to provide the “equivalent” of six hours at the full EFC. Twelve hours at half the EFC could be considered “equivalent”. Clarification of the term “equivalent” will also be necessary when designing availability incentives for flexible resources.

Finally, resources may not have monthly or annual limitations on number of starts or energy limits that translate to less than the daily requirements. Please clarify that a use limited resource that had an a maximum of 60 annual starts and could provide the equivalent of six hours at the full EFC but was never dispatched by the ISO from January through November, can now qualify as a Category 1 resource for those months because it meets the requirements.

Counting Convention for CHP

The ISO’s new revision to counting criteria for combined heat and power (CHP) units is detrimental to IOUs who are the buyers and may be scheduling coordinators of such capacity. The IOUs may be required to manage the CHP resources to the maximum flexibility possible and if the EFC were to include the regulatory must take generation portion, the IOUs will likely face non-availability penalties in the future. SDG&E strongly urges the ISO only calculate the EFC of the CHP resource starting from the RMTG portion rather than the Pmin.

The ISO proposes to calculate the EFC of CHP resources in the same manner as other conventional resources. The ISO explains that there are a variety of different types of CHP resources and using the same EFC calculation may not fully capture the specific industrial operations which would reduce its EFC amount. Changing the calculation to count the Regulatory Must Take Generation portion of the CHP resource in order to increase the EFC MW is unwarranted. ISO does not provide any reasons for the change to this counting methodology.

The Qualifying Facility (QF) CHP Settlement¹ requires the Energy Division to allocate all capacity benefits to paying LSEs based on peak load ratio. As part of the same settlement, the buyers of the capacity, primarily the IOUs, are responsible for the non-availability charges from the ISO, including, presumably, those for flexible capacity once implemented. Energy Division Staff recently proposed to allocate CHP flexible capacity based on the CAM process to CPUC jurisdictional LSEs.² The CHP CAM process will require the IOUs to manage the facility to the fullest extent possible. The Staff proposes "...the IOUs responsible for procuring CAM and CHP resources will be required to include the full capacity of those CAM and CHP resources in their RA plans (either the CAM units or the replacement units) and to manage the facilities as Flexible RA capacity. The IOUs will be required to bid the facilities as Flexible RA, meaning submission of economic bids into the ISO market to the fullest extent possible."³ Thus if the ISO counts the Regulatory Must Take Generation portion as part of the EFC value, then the IOU will be at risk for all non-availability charges when the CHP resource must self-schedule its Regulatory Must Take Generation portion during the flexible must-offer hours.

In fact, in opening comments to the Energy Division's Proposals from The Cogeneration Association of California, CAC requests the Commission to reject the Staff's proposal on Effective Flexible Capacity because "the [Staff's] proposal presents significant problems for CHP operations that rely on assured base load operations to support industrial thermal needs of host facilities."⁴ The California Cogeneration Council in its opening comments dated February 18, 2014 echo the same concerns.⁵

SDG&E does not understand the reasoning for the ISO to account for the Regulatory Must Take Generation portion in the EFC value when the CHP resource will experience such operational problems. SDG&E recommends that the ISO modify its EFC counting methodology to limit the EFC value to start at above the Regulatory Must Take Generation portion of CHP resource rather than the Pmin.

SDG&E would like to see these modifications and clarifications in the ISO's final proposal prior to seeking the Board of Governors approval in March.

¹ D. 06-07-029

² <http://www.cpuc.ca.gov/NR/rdonlyres/39C8D92B-CFF3-45BF-8CB2-0C6866E5769F/0/R1110023RAImplementationStaffProposals.pdf>, pg 6

³ Staff Proposal, pg 5

⁴ CAC Comments on Staff RA Proposals 2.18.14, pg 7

⁵ CCC Comments on ED Staff Proposals on RA Issues – Feb 2 18 2014, pg 7-8