

Flexible Resource Adequacy Criteria and Must-Offer Obligation January 31, 2014

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SDG&E continues to support the Category concept for Flexible Resources. SDG&E makes the following recommendations in hopes to have greater clarification in the ISO's 6th revised draft final proposal.

1. SDG&E appreciates the ISO proposing technology agnostic must offer categories. However, it is not clear how the proposed Categories and must offer obligations address discrete needs within the ramp duration curve. SDG&E recommends the ISO provide increased clarity on how each Category's MOO fits the ISO's need to meet the net ramps in the 17 hours. Examples of how the Categories' bids may be awarded to meet both the Peak as well as the Net Ramps over several days or month should provide better context.
2. It is unclear if the different ramping need throughout the month or day is the correct mechanism to determine the minimum and maximum percentage for the proposed Categories. SDG&E suggests a statistical calculation based on the distribution of the ramps may prove more accurate than a raw calculation of the ramping needs throughout the month.
3. SDG&E recommends the ISO expressly clarify that all types of supply, regardless of technology, can be sold or committed in any of the Categories provided it can meet that Category's specific MOO. If a resource can meet the MOO of a Category, then it should be compensated as such. SDG&E believes the next iteration should clarify that resources can migrate between different categories during the year if it meets the underlying eligibility criteria of that Category and assumes the obligations and risks associated with that Category. As an example, SDG&E would like the ISO to confirm that a 100MW resource sold as 40MW Category 1, 30MW Category 2, 20MW Category 3, and 10MW Category 4 has two distinct MOOs (70MW for 17hours and 30MW for 5 hours which overlaps the 17 hours per day). The maximum energy needed for each MW tranche is different (17 hours for category 1, 6 hours for 2, 3 hours for 3 daily and 3 hours for 5 days a month for 4).
4. The ISO is currently proposing that the min and max limits for Categories 1 through 3 would fluctuate based on the forecasted monthly ramping needs. SDG&E believes this approach could

significantly complicate procurement and portfolio management issues for LSEs, and is inappropriate for what has always been described as an interim framework. SDG&E would like the ISO to consider and discuss the benefits or disadvantages of having only one percentage per Category for each month of the year. The ISO could use the minimum or maximum or monthly average of each category.

5. SDG&E supports the ISO's proposal effectively unbundling the flex and generic RA attributes by requiring two separate RA showings for flexible and generic capacity, and only attaching the relevant MOO for each attribute. However, absent similar revisions to the RA framework, the result will be conflicting sets of rules on how LSEs and SCs must submit showings at the CPUC and CAISO, causing procedural as well as financial impacts. To prevent this outcome, SDG&E recommends the ISO also support corresponding revisions to the RA framework to facilitate unbundling.