

## Stakeholder Comments Template

### **Flexible Resource Adequacy Criteria and Must-Offer Obligation Straw Proposal, December 13, 2012**

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the Flexible Resource Adequacy Criteria and Must-Offer Obligation straw proposal dated December 13, 2012, and issues discussed during the stakeholder meeting on December 20, 2012. The ISO will also review comments filed with the CPUC in R.11-10-023<sup>1</sup> that respond to the questions asked on the Joint Parties' Proposal per the CPUC's December 4, 2012 Scoping Memo.<sup>2</sup> Therefore, the ISO has not included questions in this template that have already been asked by the CPUC. However, stakeholders that have not submitted comments to the CPUC may include comments regarding those questions at the end of this document.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to [fcp@caiso.com](mailto:fcp@caiso.com) no later than the close of business on January 9, 2013.

**General Comment:** SVP has had the opportunity to review the comments on this issue submitted by NCPA and CMUA. SVP agrees and supports the comments submitted by both NCPA and CMUA on this topic. Separate and additional comments from SVP are included below.

1. The ISO has outlined the basic considerations and assumptions that it proposes (in conjunction with the "Joint Parties") for the flexible capacity needs assessment for 2104. Please provide any general comments/questions/clarifications regarding the needs assessment.

<sup>1</sup> The record for R.11-10-023 can be found at [http://delaps1.cpuc.ca.gov/CPUCProceedingLookup/f?p=401:56:1171820792119401::NO:RP,57,RIR:P5,PROCEEDING\\_SELECT:R1110023](http://delaps1.cpuc.ca.gov/CPUCProceedingLookup/f?p=401:56:1171820792119401::NO:RP,57,RIR:P5,PROCEEDING_SELECT:R1110023).

<sup>2</sup> The Scoping Memo can be found at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M031/K723/31723210.PDF>.

2. The ISO proposes to allocate flexible capacity procurement obligations to LRAs based on the LRAs contribution to forecasted monthly system peak. Is this the appropriate allocation methodology? What other allocation methodology could be considered?

A direct allocation of flexible capacity obligation based on share of system peak does not follow cost causation principles for a number of reasons, including the following:

1. LSEs vary greatly on the types of resources they plan and intend to use to achieve their CA RPS. Some of these LSEs will likely rely on a very low percentage of intermittent resources while others may have only intermittent resources.
2. Some LSEs with CA RPS obligations may have intermittent resources within the CAISO BA but have no load within the CAISO BA.
3. LSEs may have intermittent resources within the CAISO but follow the intermittency of these resources with their own resources relieving the CAISO of the burden of doing so.
4. LSEs may choose to dynamically schedule intermittent resources within the CAISO to an adjacent BA or the other way around.

Although an LSE's share of system peak has some correlation to the level of renewable resources it will procure, it does not directly correlate with intermittent resource procurement and the corresponding burden on the CAISO system. Allocating flexible capacity obligations based on share of system peak will not provide the needed price signals to differentiate the value of one type of renewable project from another. To the degree that the need for flexible capacity is directly attributed to intermittent resources, then the obligation for flexible capacity should be allocated to the LSEs based on their share of intermittent resources (while also taking into account whether or not the LSE follows/adjusts for the intermittency themselves). One potential method for doing this would be to allocate a general/base flexible capacity allocation obligation to load as eventually decided upon by the CAISO and LRAs, but to also include a true-up mechanism based on who ultimately uses the WREGIS certificates from intermittent resources to meet their RPS. For consistency with cost-causation principles, there would need to be an allocation to applicable LSEs outside of the CAISO BA with intermittent resources in the CAISO BA where the WREGIS CERTS are used for such LSEs' RPS.

The CAISO should take the time needed to further explore alternate approaches that recognize the significant differences in LRA (and LSE) renewable portfolios

to develop an obligation allocation approach that is consistent with the CAISO's cost causation guiding principle. There is sufficient time to do so given the available flexible resources and the phase in of the anticipated flexibility needs.

3. The ISO proposes to include default tariff provisions for LRAs that do not set flexible capacity procurement obligations. The default level would be the flexible capacity requirement established in the ISO's flexible capacity assessment. Are there other considerations that should be included in the default provisions?
4. The ISO is proposing a year-ahead and 12 monthly showings demonstrating that an LSE has procured sufficient quantities of flexible capacity for each month, with 90 percent of the total flexible capacity obligation be shown in the year-ahead showing and 100 percent in the month-ahead showing. Are these the right levels? Are there any other attributes that should be included in these showings?
5. The ISO is proposing new backstop authority if the system is deficient in the total amount of flexible capacity required. Are the triggers for issuing a backstop procurement designation sufficient? What else should the ISO consider?
6. The ISO is proposing to use the current CPM rate in procuring backstop flexible capacity. Are there additional considerations in the use of this rate?
7. The ISO proposes to allocate costs for backstop procurement designations to all LSEs that are deficient in their flexible capacity showings. Is cost allocation for backstop correct? If not, what other options should be considered
8. Are the ISO's proposed criteria for determining selecting resources to procure for any flexible backstop procurement designation correct?
9. The ISO has put forth a proposed counting convention for hydro resources. PG&E presented an alternative approach. Please comment on the relative merits of each proposal? Does your organization have any additional suggestions to enhance either proposal?
10. Beyond the three issues identified by the ISO, are there any other issues the ISO needs to consider in Stage Two of this stakeholder initiative and why?
11. Are there any additional comments your organization wished to make at this time?