



February 21, 2014

Via Electronic Mail  
[fcp@caiso.com](mailto:fcp@caiso.com)

**RE: Sierra Club Comments on Flexible Resource Adequacy Criteria and Must-Offer Obligation, Draft Final Proposal**

Sierra Club submits the following comments on the Draft Final Proposal (“Draft Final Proposal”) for the Flexible Resource Adequacy Criteria and Must-Offer Obligation (“FRACMOO”). The Sierra Club appreciates CAISO’s efforts to develop the FRACMOO as well as recent changes to the proposal, including elimination of a requirement that resources capable of providing a 17-hour continuous energy obligation meet a minimal level of flexible capacity need. However, the Sierra Club remains deeply concerned with the Proposal’s failure to account for energy storage charging in defining the effective flexible capacity (“EFC”) of energy storage resources. The Sierra Club urges the CAISO Board to reject the Draft Final Proposal unless the Proposal is revised to account for energy storage charging consistent with the PUC’s proposed EFC for storage resources.

The Proposal’s exclusion of energy storage charging as a mechanism to meet flexible capacity needs functions to deprive the state of an important tool in integrating renewables, needlessly increases reliance on fossil fuels (thereby undermining achievement of state climate objectives), and frustrates cost-effective energy storage deployment by failing to capture a revenue stream from a primary storage service. The Draft Final Proposal is inconsistent with State energy policy, guiding principles recently articulated by CAISO in the Joint Reliability Plan calling for full accommodation of preferred resources, and the PUC’s proposed inclusion of energy storage charging capability in its calculation of an EFC for energy storage. In addition, the Draft Final Proposal’s effort to develop an EFC that differs from the PUC exceeds CAISO authority and would cause significant administrative confusion. The conflict between the PUC and CAISO storage EFCs will also likely result in de facto use of backstop procurement because CAISO will not count the Flexible RA value of energy storage attributed to charging in making a determination of a collective deficiency in an LRA’s RA showing. This outcome is untenable and should be remedied by aligning the Draft Final Proposal’s EFC for energy storage with that of the PUC.

To the extent that the use of energy storage charging to meet flexibility needs poses challenges that require additional analysis, the Draft Final Proposal provides no timeline or meaningful commitment to resolve these implementation concerns. Instead, the Draft Final Proposal simply states that “[t]he ISO will continue to review the prudence of [not counting charging capability] in the recently opened Reliability Services Initiative as well as in coordination with the CPUC in the RA Proceeding.”<sup>1</sup> However, the recently issued Reliability Services Initiative Paper does not contemplate revisiting incorporation of energy storage charging capability into FRACMOO. To the contrary, the Initiative Paper appears to defer to the FRACMOO initiative’s determination of flexible RA eligibility criteria and most-offer requirements.<sup>2</sup> Similarly, rather than coordinate with the CPUC in the RA proceeding regarding energy storage charging, CAISO’s most recent comments in the RA proceeding simply urge the CPUC to remove energy storage charging from its ELC calculation.<sup>3</sup>

The Draft Final Proposal’s failure to either account for energy storage charging in its ELC determination or commit to a timely path to resolve implementation issues does not augur well for the success of proposed refinements to California’s existing reliability framework. In issuing a Joint Reliability Plan with the PUC, CAISO agreed to a guiding set of principles to “*fully* accommodate resource procurement undertaken to meet California’s mandates” and ensure that “preferred resources have an equal opportunity to support grid reliability.”<sup>4</sup> Yet, in implementation of a flexible capacity framework, CAISO appears all too ready to discard these principles. The FRACMOO proposal should be modified to be consistent with the guiding principles of the Joint Reliability Plan and account for the full capabilities of energy storage.

Sierra Club appreciates CAISO’s consideration of these comments. If you have any questions, please contact Matt Vespa at [matt.vespa@sierraclub.org](mailto:matt.vespa@sierraclub.org) or 415-977-5753.

Matthew Vespa  
Senior Attorney  
Sierra Club

Cc: Karl Meeusen, [kmeeusen@caiso.com](mailto:kmeeusen@caiso.com)

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<sup>1</sup> Draft Final Proposal at 38.

<sup>2</sup> CAISO, Reliability Services Issue Paper, Jan. 28, 2014, p. 5 “(flexible RA eligibility and m[u]st-offer requirements determined in FRACMOO initiative)”.

<sup>3</sup> R.11-10-023, CAISO Comments on Phase 3 Workshop Issues, Feb. 18, 2014, pp. 13-15.

<sup>4</sup> Joint Reliability Plan of the California Public Utilities Commission and the California Independent System Operator, Nov. 8, 2013, p. 4 (emphasis added).