

**Comments of The Utility Reform Network (TURN)
Regarding the CAISO's Draft Final Proposal
Regarding Flexible Resource Adequacy Criteria and Must-Offer Obligation
Dated February 7, 2014**

The Utility Reform Network (TURN) offers the following comments on the CAISO's *Draft Final Proposal regarding Flexible Resource Adequacy Criteria and Must-Offer Obligation* (FRAC-MOO), which was published January 17, 2014. TURN's comments address four specific topics.

TURN will reiterate some of its comments regarding the *Fifth Revised Straw Proposal* regarding FRAC-MOO that it filed January 31, 2014,¹ specifically (a) TURN's concern over the hurried stakeholder process, (b) the possibility the CAISO will not be able to gather the data to implement its proposal credibly, and (c) the possible advisability of delaying the implementation of the FRAC-MOO tariff. But TURN will first address a key issue regarding the CAISO's attempt to impose new procurement requirements in its own tariff that have historically been implemented by the California Public Utilities Commission (CPUC).

The CAISO Should Defer to Local Reliability Agencies (LRAs), such as the CPUC, to Set Procurement Rules. As TURN reads the *Draft Final Proposal*, the CAISO is proposing to insert into the FRAC-MOO tariff three "categories" of Must-Offer Obligations (MOOs) to which resources offering flexible capacity would belong. TURN understands that this proposal, if adopted, would be a historic shift in the responsibility for setting specific procurement rules from the CPUC to the CAISO tariff. If approved by the CAISO Board of Governors and the Federal Energy Regulatory Commission (FERC), making changes to these categories would be much more burdensome than if such categories were set by the CPUC. Retaining regulatory flexibility in making changes could be important for a new requirement for flexible capacity, for which estimates of need may change quickly in the near future.² Further, this proposal runs counter to

¹ These comments are available at <http://www.caiso.com/Documents/TURNComments-FlexibleResourceAdequacyCriteriaMustOfferObligation-FifthRevisedStrawProposal.pdf>.

² Perhaps in recognition of the need to change procurement requirements regarding flexibility, the *Draft Final Proposal* says the CAISO would "initiate a stakeholder process in the first quarter of 2016 to discuss with stakeholders the findings of these ongoing assessments as well as any recommendations for potential modifications to the flexible capacity requirements" (p. 6). But given the length of stakeholder and FERC processes and the need to provide LSEs the opportunity to procure capacity for the following calendar year, any changes such a process would develop might not be implementable until 2018.

the avowed cooperation the CAISO and CPUC staffs claimed to be nurturing in developing and approving the Joint Reliability Plan (JRP).³ TURN urges the CAISO to defer to the CPUC in setting procurement rules.

The Stakeholder Process Should Not Be Hurried. In its January 31st comments, TURN noted the CAISO's *Fifth Revised Straw Proposal* was a radical departure from all of its prior proposals. Though the *Draft Final Proposal* is not as radically changed as the *Fifth Revised Straw Proposal*, it also proposes significant new modifications to these prior proposals.⁴ TURN remains concerned that some of the major changes in both the most recent revisions need more significant review and discussion than allowed for in prior stakeholder meetings.⁵

Further, both the CAISO's and Energy Division's (ED's) recent reviews of the 2014 Resource Adequacy (RA) showings suggest that substantial amounts of flexible capacity are already being provided to the CAISO. For example, based on its review, the CAISO decided it did not need to require a higher daily energy requirement for its new "base flexibility category" at this time.⁶ And ED stated that in 2014 "almost all of the flexible resources reported by LSEs were in Category 1" (which offer more flexibility than Category 2 or 3 resources).⁷ Given these apparent facts about *actual* procurement of flexible capacity, the CAISO should take the time needed to fully consider FRAC-MOO tariff.

Ambitious Data Requirements for Computing Flexible Capacity Requirements and Allocations May Stymie Credible Implementation. As with prior proposals, the *Draft Final Proposal* would also compute Flexible Capacity Requirements (FCRs) and their allocations based on renewable resource portfolio data to be provided by the Load-Serving Entities (LSEs)

³ The CAISO and CPUC recently began processes to implement their respective portions of the JRP, specifically the CAISO's Reliability Service Initiative and the CPUC's Rulemaking 14-02-001.

⁴ *Draft Final Proposal*, pp 5-7.

⁵ As TURN stated in its January 31st comments, in making this point, TURN is *not* criticizing the CAISO for the act of proposing major changes to its prior proposals. Rather, TURN is concerned that a truncated stakeholder process will not yield adequate consideration of such changes.

⁶ See *Draft Final Proposal*, p. 6.

⁷ See ED's *Staff Proposal on the Implementation of the Flexible Capacity Procurement Framework*, published February 10, 2014, p. 14.

through their Scheduling Coordinators.⁸ Though the latest proposal continues to include means for holding LSEs accountable for their submissions,⁹ TURN remains concerned that the CAISO is embarking on a path that will pose major challenges for gathering, validating, and applying renewable resource data in a consistent and accurate manner.

Delay May be Preferable to a Hurried, Partial Implementation. TURN questions whether implementation of the FCR and FRAC-MOO tariff in 2015 is advisable. As TURN already noted in its January 31st comments, there is no evidence that an implementation in 2015 is *necessary* to maintain reliable service. The CAISO and ED statements cited above further support this recommendation. TURN reiterates that the CAISO and CPUC should consider whether implementation of a flexible capacity requirement should be deferred for another year until the difficult challenges can be addressed more fully and deliberately.¹⁰

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⁸ *Draft Final Proposal*, pp. 13 and 19-24. Many aspects of these proposals were offered in prior versions.

⁹ *Id.*, pp. 13-14.

¹⁰ Although TURN questions whether an FCR and related FRAC-MOO tariff are necessary to provide reliable service in 2015, TURN supports efforts to work through the challenging implementation issues in time for a 2016 implementation.