

**Comments of The Utility Reform Network (TURN)
Regarding the CAISO's Fifth Revised Straw Proposal
Regarding Flexible Resource Adequacy Criteria and Must-Offer Obligation
Dated January 17, 2014**

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

The Stakeholder Process Must Not Be Hurried. After issuing five straw proposals and holding corollary stakeholder meetings over the course of a year, the CAISO issued its current proposal earlier this month.¹ Though this sixth proposal contained some features that were radically different from the prior five proposals, the CAISO did not see fit to extend the stakeholder process beyond its single remaining month.² TURN is concerned that some of the major changes in the Fifth Revised Proposal need more significant review and discussion than allowed for in this next month.

In making this point, TURN is *not* criticizing the CAISO for the act of proposing major changes to its prior proposals. TURN instead generally supports the CAISO's willingness to propose major revisions when appropriate, especially on a challenging and groundbreaking project like the FRAC-MOO tariff. But TURN is concerned that a truncated stakeholder process will not yield adequate consideration of the CAISO's current proposal.

New "Technology Agnostic" MOO Categories May Not Yield An Effective Resource Mix. The "back-of-the-envelope" nature of the development of the proposed MOO categories and their minimum and maximum proportions in LSEs' portfolios does not inspire confidence

¹ The first five proposals were a "Straw Proposal" followed by four sequentially-numbered "Revised Straw Proposals". The current "Fifth Straw Proposal" is thus the sixth version. See <http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleResourceAdequacyCriteria-MustOfferObligations.aspx>.

² See pages 9-10 of *Fifth Revised Straw Proposal regarding Flexible Resource Adequacy Criteria and Must-Offer Obligation (Fifth Revised Proposal)*, available at <http://www.caiso.com/Documents/FifthRevisedStrawProposal-FlexibleRACriteriaMustOfferObligation.pdf>.

they will yield an adequate mixture of various types of flexible capacity.³ And the variation in such percentages between months layers another commercial complexity into Flexible Capacity Requirement (FCR) procurement. Rather than adopt the specific categories now proposed, including the related minimum and maximum percentages, the CAISO should encourage further analysis by making public the amount of current capacity that can meet the criteria of these buckets, much as the CAISO has previously provided relevant units' Effective Flexible Capacity.⁴

New “Technology Agnostic” MOO Categories May Also Be Discriminatory. TURN understands that the CAISO developed its new categories of “technology-agnostic” must-offer obligations because of concern its prior proposals' obligations were too “technology-specific” and seen by some as discriminatory. However, the proposed new categories may discriminate in their own ways. In particular, the definitions of these categories could instead serve to favor gas-fired generation and greatly limit opportunities for other resources, including the state's “preferred resources,” to meet flexibility requirements.

Ambitious Data Requirements for Computing FCR and Allocations May Stymie Implementation. The latest proposal would also compute FCRs and their allocation based on renewable resource portfolio data to be provided by the Load-Serving Entities' through their Scheduling Coordinators.⁵ Though the proposal includes some means for holding LSEs accountable for their submissions,⁶ TURN believes 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.

³ *Fifth Revised Proposal*, pp. 24-31.

⁴ TURN realizes that resource owners might not necessarily offer a unit's EFC into its most valuable category, but information on the make-up of current EFC by the proposed categories would be quite useful in analyzing this latest proposal.

⁵ *Fifth Revised Proposal*, p. 12 and 18-19. Many aspects of these proposals were offered in prior versions.

⁶ *Id.*, pp. 12-13.

Delay May be Preferable to a Hurried, Partial Implementation. Given the lack of the above information and the CAISO's deferral of key asset management and contracting issues,⁷ TURN questions whether implementation of the FCR and FRAC-MOO tariff in 2015 is advisable. There is no evidence that an implementation in 2015 is *necessary* to maintain reliable service.⁸ But a hurried, partial implementation in 2015 may do harm to customers, generators and/or other market participants. The CAISO and California Public Utilities Commission (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.⁹

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⁷ *Id.*, pp. 6-7. The CAISO is proposing to defer implementation of a Standard Flexible Capacity Product, an Opportunity Cost Methodology for Use-limited Resources and Substitution rules for resources on forced outages.

⁸ In fact, amounts of EFC have already been procured for 2015 and following years well in excess of the CAISO's estimated flexible capacity requirements, primarily by the Investor-Owned Utilities (IOUs), suggesting that implementation of the requirement in 2015 is not necessary to maintain reliability. See "Planned Remarks on behalf of The Utility Reform Network by Kevin Woodruff, prepared for the Federal Energy Regulatory Commission Technical Conference on Flexible and Local Resources Needed for Reliability in the California Wholesale Electric Market, Docket No. AD13-5-000, July 31, 2013, available at <http://elibrary.ferc.gov/idmws/search/fercensearch.asp>

⁹ Though TURN questions whether an FCR and related FRAC-MOO tariff are necessary to provide reliable service in 2015, TURN supports efforts to sift through the challenging implementation issues in time for a 2016 implementation.