

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.

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.

WPTF requests clarification regarding how the level of flexible requirement is determined. One specific concern we have is in setting the flexibility requirements based on 3.5% operating reserves. This parameter seems inconsistent with the 7% or the most severe single contingency (MSSC). This driver should be set to 7% consistent with the operating reserve requirement or

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

the ISO should provide further information to support procuring only 3.5% of the reserves requirements.

Please also address whether the ISO expects the flexible requirements for 2014 are expected to be particularly low given the ISO's analysis that indicates the need does not significantly manifest until 2015.

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?

Allocating costs based on system peak contribution seems reasonable. WPTF assumes the question relates to allocating to an LSE's system peak rather than an *LRA's* system peak. Please provide further discussion if this is not the case.

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?

WPTF's understanding is that the flexible requirement is essentially a system need. Uniform requirements across LRAs therefore seems appropriate.

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?

WPTF seeks clarification on the relationship between the showing and generator outages and the replacement rules. We ask that the ISO explain if, and how, flexible requirements would alter outage replacement requirements.

5. The ISO is proposing new backstop authority in 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?

WPTF requests further information regarding whether the ISO will necessarily procure backstop if an LSE is deficient, whether the ISO will necessarily procure backstop flexibility if the aggregate system is deficient (given that there is likely to

be lumpiness issues to LSE's provision it is possible that the system will be sufficient though one LSE is insufficient), whether the ISO will only procure backstop if it sees a short-run specific unmet need (such as with the system RA backstop policies), or whether the ISO plans to employ an alternative approach. If the ISO's backstop procurement is not direct from an individual LSE's deficiency, then please explain the envisioned backstop cost allocation.

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?

The impact to a supplier of providing flexible capacity is likely higher than providing inflexible backstop. It is unclear that CPM rate is sufficient for flexible RA backstop.

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.

See our response to #5, above, in particular to address the "lumpiness" issue and treatment if the ISO is sufficient though an LSE is not, or if the ISO's deficiency is significantly less than the sum of the LSEs' deficiencies.

8. Are the ISO's proposed criteria for determining selecting resources to procure for any flexible backstop procurement designation correct?

It is unclear how the ISO will treat differences in ramp rates, Pmins, and start up times. Different characteristics have different impacts on the system and offer differing benefits. Further discussion of how these different characteristics will impact decisions and compensation is warranted.

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?

More discussion is needed regarding the treatment of use-limited resources. Whereas it seems that the ISO needs support for a 3- to 4-hour ramp, use-limited resources can also provide significant flexibility benefits. WPTF encourages further discussion in order to maximize the benefit to the system of use-limited resources and thereby reduce costs yet provide comparable treatment to the greatest extent possible.

WPTF is particularly concerned with proposals that would apply one set of standards to thermal use-limited resources and an alternate set of standards to non-thermal use-limited resources. For example, the joint parties' proposal suggests that a thermal resource can bid in such a manner to avoid being dispatched into limited operating situations. However, some WPTF members' experience suggests that bidding in a particular manner may not affect how much a resource is operated, especially if that resource is exceptionally dispatched.

WPTF would like a comprehensive discussion regarding the treatment of operating limitations with the goals of maximizing the flexibility available to satisfy the requirements yet providing comparable treatment to the greatest extent possible.

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?

WPTF is very concerned about the presumption offered during the workshop by the ISO and the IOUs (in particular SCE, presenting the joint parties' proposal) that the flexible attribute of resources is assumed to have already been contracted for in existing RA contracts. WPTF completely disagrees. What has been offered under existing RA contracts is dictated by what has been agreed to by the parties to existing contracts and should not be presumed by the ISO as conveying the flexibility. Given that the flexible treatment and offer details cannot have been known at the time most existing contracts were struck, there is a high probability that existing contracts do not carry the burden of flexible offerings at this time. In any event, it should be left to bilaterally contracting parties the extent to which existing contracts convey the flexible attributes and impose any additional obligations on the supplier.

12. Please feel free to respond to any comments already submitted to the CPUC in R.11-10-023 as they apply to the ISO straw proposal or the Joint Parties proposal.

Please find attached WPTF's comments submitted in R.11-10-023 for a complete characterization of WPTF's position on the issues raised by the Commission. In particular, WPTF directs the CAISO's attention to the fundamental policy issue raised in its comments in Section A.2.a – that there should be a transition away from any inclusion of the flexible capacity requirements in RA in favor of biddable ancillary service markets as the procurement mechanism to meet flexible requirement; and Section B.3 – that the transition to ancillary services should be no more than three years.