

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

Submitted by	Company	Date Submitted
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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.  
*Wellhead supports the needs assessment for 2014.*
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?  
*No comment.*
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?  
*No comment.*
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?  
*Wellhead believes this is appropriate for 2014.*
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?  
*No comment.*
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?  
*During the first stage, provided there are no modifications to the performance obligation and no additional restrictions on the use or bidding of the Flexible Capacity from that of the Standard Capacity, then the current CPM is appropriate.*

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?

*No comment.*

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

*No comment.*

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?

*Wellhead agrees that use limited resources can and should be used by the CAISO to the fullest extent possible in meeting flexible capacity needs. However, the Flexible RA program for use limited resources should not discriminate between technologies. After the applicable limits are clearly defined, the CAISO should determine how to best fit the resource into the mix and the resource should not be subject to penalties if the CAISO puts itself in the situation of bumping up against the limits.*

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?

*Wellhead believes that the CASIO should include modifications to the counting conventions in Stage 2 so that market participants can be begin to understand, and transition to, the final product(s) that will be required in the 2015-2017 timeframe. The counting conventions proposed in the Joint Proposal only serve to reorganize current resources along their existing attributes without giving any clear market signal as to what is required or desired in 2015-2017.*

11. Are there any additional comments your organization wishes to make at this time?

*Wellhead supports the CAISO efforts to ensure appropriate market-based mechanisms are established to provide needed flexible capacity. The joint proposal clearly recognizes the immediate attributes that are essential to consider. Wellhead's only concern is that the initial implementation of Flexible RA does not account for attributes that will be critical as the amount of non-flexible RA increases. The result is that the initial implementation of Flexible RA will result in a product that is essentially a 3-hour spinning reserve product that does not take proper account of the "crowding out" problem it is creating. The proposed interim Flexible RA proposal is a step in the right direction but the CAISO should be telling the market what it really needs in the long term and be careful to not lock itself into a procurement program that will not deliver what is really needed.*

*At the meeting on December 20<sup>th</sup>, there was discussion about the possibility of the CAISO putting itself into the middle of existing contracts. This is a real concern and the CAISO must not do anything in its rules/requirements implementing the Flexible RA program that could cause problems in existing contracts. For example, the CAISO must not do anything that would result in uncompensated costs or violations of operating provisions under existing contracts. A simple way to avoid any problems without requiring the CAISO to review existing contracts is to provide that both the project and the purchaser agree to any use of the resource as Flexible RA.*

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.