

Flexible Resource Adequacy Criteria and Must-Offer Obligation – Phase 2

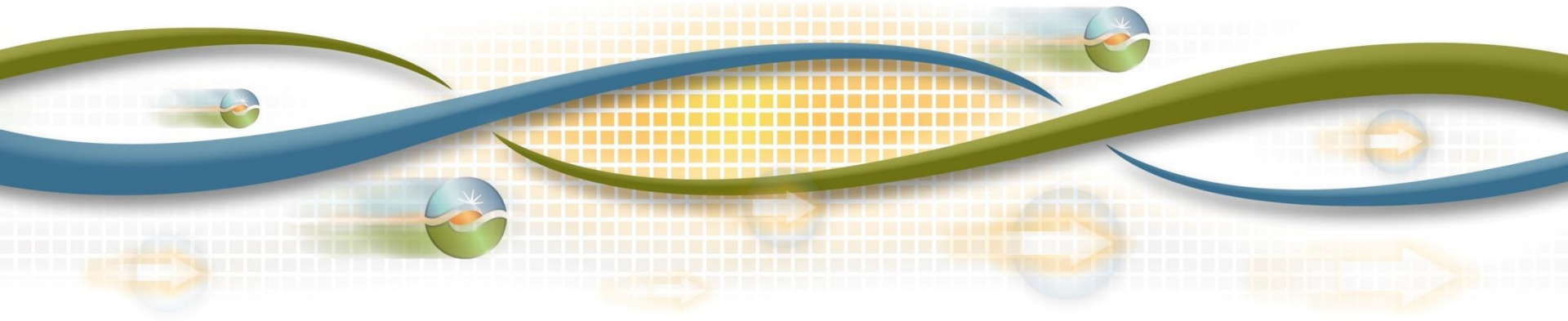
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Market Surveillance Committee Meeting

General Session

May 5, 2017



FRACMOO2 Background

- ISO issued supplemental issue paper on November 2016 to expand scope of FRACMOO2
 - ISO received comments from 22 stakeholders
 - Included nine proposals of some type
- The ISO does not believe any of the proposals are capable of being completed in an expeditious manner either due to policy gaps or implementation complexity
- **Revised straw proposal focuses on short-term enhancements the existing flexible capacity**

The ISO's objective in FRACMOO2 must also consider the impact of SB 350

- SB 350 required the CPUC to
 - Oversee the construction of an Integrated Resource Plan (“IRP”)
 - Oversee its jurisdictional LSEs procurement to reach a 50 percent RPS target
- RPS eligible capacity curtailment impact long term resource portfolio
 - Frequently curtailed RPS eligible resources could mean more RPS eligible capacity
 - Mitigating the costs of building incremental RPS eligible capacity means a premium on maximizing RPS eligible energy production

It is prudent to consider a least-regrets approach to short-term modifications to the flexible capacity eligibility rules

- Focus on identifying resource characteristics that help minimize RPS curtailment
- Provide a stronger signal regarding the type of resources needed in the future while more comprehensive changes are developed
 - i.e. Mitigate the risk of uneconomic retirements

Problem statement

- There is a need to send bilateral capacity procurement signals that specifically focus on sustaining fast ramping and fast starting resources in order to achieve a 50 percent RPS mandate while the specific details surrounding the implementation of the state's 50 percent RPS target are determined.

Continued reliance on long-start and OTC resources for flexible capacity has three potential adverse consequences

1. Fast ramping and flexible resources may not receive RA contracts needed for long-term financial viability
2. Increase the frequency of exceptional dispatch CPM designations
 - May not provide sufficient ramping speed to address real-time operational needs caused by forecast error or forced generation and/or transmission outages
3. Slower resource ramp rates means greater Pmin burden
 - Could result in more frequent curtailment of renewable resources
 - Could result in steeper ramps over some time intervals

The ISO is proposing short-term changing to eligibility criteria for flexible capacity resources

- ISO proposed flexible capacity eligibility rule changes
 - Start-up time of less than 4.5 hours and
 - Minimum run time of less than 4.5 hours
- Aligns with the STUC outlook
 - Allows the ISO to commit and decommit resources in the real-time time
- Should ensure a fleet of fast ramping resources is available while minimizing the associated Pmin burden
- 17,042 MW of remaining eligible flexible capacity

The ISO proposal addressed multiple issues identified in the supplemental issue paper

- Specifically, this modification will:
 - Mitigate the minimum operating levels that must be maintained due to start-up and minimum run times;
 - Eliminate the ISO's reliance on long-start resources that are not likely to be available to address real-time ramping needs, and;
 - Establish a faster ramping flexible capacity fleet because most long-start and/or long run-times are also slower ramping resources

Potential long-term enhancements to flexible capacity provisions should attempt achieve basic objectives

1. Provide for the efficient retention and retirement of resources needed to maintain reliable grid operations
2. Simplify RA procurement and showing processes
3. Refine requirements to more closely differentiate particular resource attributes of flexible capacity needed
4. Align long-term planning and annual RA processes
5. Provide opportunities for internal and external resources to qualify to supply flexible capacity
6. Scalable regardless of number of LSEs or size of LSEs

Next steps

- May 8, 2017 – Stakeholder meeting
 - May 22, 2017 – Comments due
- Complete stakeholder process by Q3 2017
- Board Approval – Q2 2018