

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the FRACMOO Phase 2 stakeholder initiative Revised Straw Proposal posted on May 1, 2017.

Submit comments to InitiativeComments@CAISO.com

Comments are due May 22, 2017 by 5:00pm

The Revised Straw Proposal posted on May 1 and the presentation discussed during the May 8 stakeholder web conference may be found on the [FRACMOO](#) webpage.

Please provide your comments on the Revised Straw Proposal topics listed below and any additional comments you wish to provide using this template.

Proposal to modify eligibility criteria

1. Start-up time less than 4.5 hours

Comments: CalWEA finds CAISO's rationale for restricting the eligibility of resources offering flexible capacity to those having a start-up time of less than 4.5 hours to be technically and economically fair and reasonable. Thus, while this and other aspects of the proposal are clearly only interim steps to what will be needed, long-term, to sustain fast-ramping and fast-starting resources, as CAISO has indicated, CalWEA support this part of the CAISO proposal.

2. Minimum run-time less than 4.5 hours

Comments: CalWEA finds CAISO’s rationale for restricting the eligibility of resources offering flexible capacity to those having a minimum run-up time of less than 4.5 hours to be technically and economically fair and reasonable and as a result supports this part of the CAISO proposal.

3. Category 3 flexible capacity resources must be available seven days per week

Comments: CalWEA supports this requirement, although we believe that it should be implicit in the must-offer-obligation (“MOO”) part of FRACMOO. Resources that are selected and paid to provide flexible capacity should be available for all days where this capacity may be required by the CAISO.

Future considerations

The ISO identified the following six objectives for long-term RA enhancements:

- 1) Provide for the efficient retention and retirement of resources needed to maintain reliable grid operations by aligning resource adequacy requirements with operational needs;
- 2) Simplify RA procurement and showing processes through alignment with system and local capacity provisions;
- 3) Enhance requirements to more closely differentiate particular resource attributes of flexible capacity needed to maintain operational reliability and achieve state policies;
- 4) Align long-term planning and annual RA processes to ensure the long-term planning objectives and assumptions are properly reflected through RA procurement and vice versa;
- 5) Provide opportunities for internal and external resources to qualify to supply flexible capacity if they are able meet the specified requirements; and
- 6) Solutions should be scalable regardless of number of LSEs or size of LSEs

Please provide comments, as appropriate, on these objectives.

Comments: CalWEA fully supports all the objectives noted above and particularly Objective 1. On a number of occasions, including the FRACMOO-1 initiative and during the beginning of the FRACMOO-2 initiative, CalWEA made its position very clear by offering the following comment:

“The fundamental premise of the CAISO FRACMOO proposal is clear. FRACMOO is principally intended to make annual and monthly capacity payments to existing flexible resources, mainly gas-fired generators, for a

capability they already have and have been providing to the grid without such long-term capacity compensation in the past. CalWEA understands this premise and supports it. CalWEA understands that a major shift in services from flexible resources is taking place as net load variations are increasing. This shift in services is moving away from providing basic Resource Adequacy (RA) capacity to providing ramping services (flexibility capacity) during certain parts of the day. Hence, even though flexible capacity resources have been providing ramping services without long-term capacity compensation in the past, the RA payment has allowed these resources to operate in a financially viable fashion. However, in an environment where basic RA capacity (as well as energy) needs are increasingly met by renewable resources, the resources needed to meet ramping requirements (caused in part by renewables) are expected to experience significantly reduced RA capacity and energy revenues. At the same time, these same resources will be required to provide more start-and-stop operation as well as ramping services, incurring more costs due to operation in less efficient zones as well as the added wear and tear. Under these new circumstances, compensating flexible resources for their flexible capacity is not only fair but also necessary to ensure that these resources remain available to provide needed services. Absent this new payment stream, existing resources could potentially cease to operate, leading to a need for new flexible resources likely at a much higher cost to ratepayers. At the same time, under the CAISO FRACMOO proposal, the proper tradeoff for receiving capacity payments would be for these flexible resources to be obligated to offer that flexible capacity as economic bids in the CAISO Day-Ahead (DA) and Real-Time (RT) markets.”

However, CalWEA is alarmed that this main objective of the FRACMOO initiative has not even come close to being achieved and supports the CAISO’s intention to initiate greater reforms in the near-future.

Should additional objectives be added?

Comments: CalWEA suggests that one additional objective be added to the list above:

- 7) The flexible capacity requirement should be allocated among LSEs based on causation as identified by the CAISO.

It is important to send cost signals to those planning and procuring resources so that they minimize (or optimize) the need for flexible resources in the first place. The CCAs

are a fast-growing source of procurement. The CPUC has, to date, been reluctant to use the CAISO's causation-based flexible capacity requirement allocations to spread associated costs among its jurisdictional LSEs. Instead, the CPUC assigns requirements based on load share. If the CPUC remains unwilling to change its allocation method, the CAISO should allocate its flexible capacity requirement directly to CCAs, which could be considered local regulatory authorities, at least in this context, and leave the remainder of the flexible capacity requirement to the CPUC to spread among its jurisdictional IOUs and Electric Service Providers however it wishes.

Other

Please provide any comments not addressed above, including any comments on process or scope of the FRACMOO2 initiative, here.

Comments: Again, it is important to send flexible-requirement signals to those planning and procuring resources so that they minimize (or optimize) the need for flexible resources in the first place. To do this, local regulatory authorities and LSEs must be able to understand their responsibility for creating the requirement for flexible capacity. In that regard, we believe that CAISO should show the allocation of flexible capacity for existing behind-the-meter (BTM) solar generation in addition to the allocation for the new (incremental) BTM solar generation as presented in the FRACMOO annual report for 2017.