

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:

LS Power supports CAISO proposal to modify eligibility criteria to only count resources with startup times less than 4.5 hours. Absent this, it will continue to remain challenging for CAISO to manage the variability challenges posed by the grid in Real Time. It gives a false sense of security and wrong market signal when over ~30,000 MW of Flexible Capacity seems to be available (using current eligibility criteria) for a ~8000 to ~12000 MW Flex need. In reality, as CAISO's analytical data shows a lot less Flex Capacity is available when needed in Real Time. Changing this eligibility criteria will not only ensure

that resources with the right attributes are available when CAISO needs them, but will also ensure that CAISO doesn't have to go out of market or procure additional Ancillary Services in Real Time to address the variability challenges thereby leading to overall increased cost to ratepayers. These challenges will only continue to grow which is why implementing this change now makes sense.

2. Minimum run-time less than 4.5 hours

Comments:

LS Power supports CAISO proposal to modify Minimum run-time criteria to less than 4.5 hours. Again, doing this will ensure that CAISO is able to access the flexible characteristics it needs to ensure it can maintain reliability, reduce out of market dispatches by making commitment and de-commitment decisions within the 4.5 hour real time market timeline. Resources with run-time greater than 4.5 hours can exacerbate oversupply situation, thereby leading to curtailment of renewables which should be an undesirable outcome given the State's GHG goals. We further encourage CAISO to reconsider developing a Downward Flexible Capacity product with Must Offer Obligations for it so as to make sure that this product is available when CAISO needs it to manage oversupply challenges, similar to the Upward Capacity product that helps CAISO meet the Net Load Ramping challenges.

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

Comments:

LS Power supports CAISO proposal on this.

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:

LS Power generally agrees with the proposed objectives, however has two suggestions. See below.

Should additional objectives be added?

Comments:

One additional objective that CAISO should consider adding:

- 7) *The policy decisions to be undertaken under this initiative should be in line with and support State's GHG and RPS goals:
While it's true that during oversupply conditions economically dispatching down renewables is a solution, but is implementing this solution on a regular long term basis taking the State away from its policy goals? Will more renewable capacity need to be built to meet the same RPS goals should existing renewables continue to get curtailed? We recommend that a discussion on this policy objective should be undertaken within this initiative.*

LS Power proposes modifying the first objective to read this:

- 1) Provide for the efficient retention and retirement of **existing** resources and **development of resources with desired flex attributes** needed to maintain reliable grid operations by aligning resource adequacy requirements with operational needs;

Flexible Capacity has long been considered a product needed by CAISO, however there have been no market signals at all that would encourage new steel in the ground to build new flexible capacity with the attributes desired by CAISO. The premium for providing Flexible Capacity by a resource (under the Bilateral RA procurement space) is next to nothing. This is contrary to CAISO's findings regarding operational challenges that suggest there should be a high premium for Flexible Capacity attributes. We recommend that CAISO address this anomaly within this initiative.

Other

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

Comments:

An additional topic we would like CAISO to consider is the need for creating a Downward Flexible Capacity Product. LS Power had previously submitted comments on this topic¹ (link below) and without re-iterating these comments here we would encourage CAISO to review previously filed comments again and re-evaluate any reliability or policy risk oversupply conditions can cause and if there is a need to ensure enough Flex Down Capacity should be available to CAISO to address these challenges.

¹ <https://www.caiso.com/Documents/LSPowerComments-FlexibleResourceAdequacyCriteriaMustOfferObligationPhase2-SupplementalIssuePaper.pdf>