


Submitted by	Company	Date Submitted
Jeff Malone (858) 263-2977 JMalone@MRPGenco.com		October 10, 2017

California Independent System Operator Corporation
 PO Box 639014
 Folsom, CA 95630
initiativecomments@caiso.com

**Flexible Resource Adequacy Criteria and Must Offer Obligations Phase 2
 Comments on the presentation from the September 26, 2017 working group meeting**

Middle River Power, LLC (“MRP”) is the asset manager for both MRP’s 830 MW High Desert Power Project (“HDPP”) and 270 MW Coso Geothermal (“Coso”) as well as other assets across the US. HDPP is located adjacent to Southern California Logistics Airport (formerly George Air Force Base) in Victorville, California. Coso is located on the China Lake Naval Air Weapons Station in Inyo County, California. MRP is pleased to have this opportunity to submit comments regarding the September 26, 2017 Flexible Resource Adequacy Criteria and Must Offer Obligation Working Group Meeting¹.

California Independent System Operator Corporation (“CAISO”) scheduled a working group for the Flexible Resource Adequacy Criteria and Must Offer Obligations Phase 2 (FRAC-MOO2) initiative on September 26, 2017 to discuss current and future operational system needs for flexible capacity, and how the flexible resource adequacy construct can be reformed to meet these needs. CAISO’s presentation states that it has identified four “Must Offer” products that it needs from Flexible Resource Adequacy Capacity: day-ahead ramping range capacity, fifteen minute dispatchable flexible capacity, five minute dispatchable flexible capacity and regulation (up/down) certified capacity. CAISO already procures all four of these products as part of its current market design. In its May 1, 2017, *Revised Straw Proposal – Short Term Solutions*, CAISO indicated that it is concerned that the bi-lateral and backstop RA Capacity market and the associated energy and ancillary services constructs in California do not provide for sufficient and timely quantities of the products it needs. Further, CAISO stated that RA revenue adequacy will become a larger part of sustaining the resources needed to maintain reliability and meet state policy goals long-term. Flexible resources

¹ <http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleResourceAdequacyCriteria-MustOfferObligations.aspx>

need to start receiving markets signals and increased revenue today, to avoid uneconomic retirement.²

MRP sympathizes with CAISO and generally supports the CAISO's proposal to align flexible capacity requirements with operational needs. However, we would like to better understand when and how often these products are not available in sufficient quantities as well as the reason these products are not available or accessible. For example, are the current assets that have sold RA physically unable to provide the products in sufficient quantities? Are there price concerns? These and other questions being submitted as part of comments by the Western Power Trading Forum are all critical issues needing to be resolved so that the solutions address the root cause of the problem and don't just create unintended consequences that ultimately cost to the ratepayers more money.

CAISO should seek to reform the planning forecasts for each of the markets (bi-lateral capacity market, energy and ancillary services markets) to more accurately evaluate the effects of behind the meter ("BTM") solar and other distributed resources. Future planning forecast must address the effective load carrying capacity ("ELCC") of distributed resources to the market's peak load, as well as with appropriate weather-related impacts. As currently treated, the variability associated with intermittent, BTM and other distributed resources is not adequately covered through responsible reserve margin procurement. To be executed properly, load-serving entity ("LSE") procurement needs to include additional flexible and dispatchable RA resources that would backstop the generation from the intermittent resources. Planning forecast reform that addresses BTM Solar PV and other distributed resources can be easily and immediately implemented by the CEC, CPUC and CAISO in the short-term.

It is also unclear to MRP if responsibility for ensuring enough flexibly capacity exists should be addressed in the capacity construct but rather in supporting appropriate price formation and thus compensation for suppliers in the energy and ancillary service markets. CAISO should also focus on removing the bid caps for energy and ancillary services to further incentivize supply resources to submit sufficient and timely quantities of the products it claims are needed. Existing market "offer" caps serve as a disincentive to supply and hinder appropriate price formation when supplies become tight. CAISO must seek to enhance energy and ancillary services incentives and send appropriate market signals to suppliers, which is consistent with principal features of the standard market design criteria as established by the Federal Energy Regulatory Commission ("FERC").³

² Flexible Resource Adequacy Criteria and Must Offer Obligation – Phase 2, Revised Straw Proposal – Short Term Solutions, May 1, 2017

³ FERC Order in Docket No. RM01-12-000 (July 1, 2002).

While not directly related to the most recent FRACMOO material put out for comments MRP would like to also offer its views on related market reform needs. The Bilateral RA construct will not work going forward:

- Changing landscape of retail suppliers and increased switching will make accurate RA procurement difficult
- Dealing with specific local constraints and issues is already challenging and will get worse as LDC are not the responsible parties for procuring RA
- Economic retirements and related RMR challenges will be exasperated
- Monthly variation in the amount and types of flexible resources needs to be addressed in a market wide, holistic approach

First, to address these concerns there needs to be a centrally procured capacity construct. Second, there must be a multi-year RA procurement process to ensure the long-term planning objectives and assumptions are properly established and uniformly implemented. Third, MRP urges CAISO to address the issue of insufficient energy and ancillary services market revenue for generators by seeking to enhance price formation. In addition, increasing the value of RA Capacity provided by supply resources by addressing the ELCC of BTM Solar PV in its planning forecasts going forward is also necessary. These recommended solutions can reasonably be implemented by CAISO in the short-term while developing the longer-term RA procurement mechanism.