



To: CAISO Board of Governors;  
Mr. Ashutosh Bhagwat  
Mrs. Angelina Galiteva  
Mr. Mark Ferron  
Mr. Richard Maullin  
Mr. David Olsen  
PO Box 639014  
Folsom, CA 95763-9014

From: Cogentrix Energy Power Management, LLC

Date: February 16, 2017

RE: FRACMOO2 Stakeholder Process

Dear Governors,

Cogentrix Energy Power Management, LLC (Cogentrix) is very concerned with the current pace and schedule of the Flexible Resource Adequacy Criteria and Must Offer Obligation – Phase 2 (FRACMOO2) stakeholder process. Our concern stems from significant changes to the CAISO grid in 2016, which included multiple record three hour ramps and, more importantly, a new record net load, both of which came years ahead of CAISO forecasts. In contrast, the FRACMOO2 stakeholder process began in July 2015 and is not expected to conclude until Spring 2018 for implementation in 2019. Since CAISO issued its Supplemental Issue Paper in early November 2016, there has only been one webinar and one set of comments filed on the CAISO proposed changes to the criteria for Flexible Capacity. Cogentrix participated in the webinar and also filed comments to the Supplemental Issue Paper in hopes of raising awareness and a sense of urgency.

Given how rapidly the grid has evolved over the past few years, we do not understand why this process needs upwards of three years to conclude. Based on earlier statements, as well as extensive research, CAISO understands what resource characteristics are necessary for Flexible Capacity, so it is unclear why there are prolonged delays. A further slip of three to four months would mean that the benefits of implementation may not be available until the 2020 RA season.

Meanwhile, the CPUC Resource Adequacy Phase 3 proceeding (R14-10-010) is examining similar and related issues, but in connection with the 2018 RA season. Several parties, including Cogentrix, are filing Flex RA proposals in that proceeding which will be ruled on by this summer and effective for the 2018 RA season. The CAISO has chosen to not present any suggestions on Flexible Capacity criteria until their FRACMOO2 process concludes.

Cogentrix is also very concerned that CAISO's FRACMOO2 process could be overtaken by other regulatory proceedings with earlier deadlines than CAISO has now planned for FRACMOO2. In addition to the CPUC RA Phase 3 proceeding, the joint-agency Statewide Advisory Committee on Cooling Water Intake Structures (SACCWIS) has prepared the Encina Power Station 2018

Reliability Study supported by the deferral study prepared by CAISO staff used to recommend deferral of the OTC compliance date for the Encina Power Station<sup>1</sup>. That State Water Resources Control Board process is scheduled to conclude at the end of this year.

In the study, CAISO's staff makes no mention of the long start times and the negative environmental impacts of operating Encina Units 2 – 5 for another year. Even worse, the extension jeopardizes the survival of modern, flexible, quick start generation within the San Diego Subarea that, unlike Encina, would not have a contract for its output. This outcome flies in the face of the FRACMOO2 process, and it calls into question whether fast ramping flexible peaking generation CAISO has stated it needs will be able to remain viable until the implementation of FRACMOO2.

Cogentrix urges the Board of Governors to direct staff to accelerate the FRACMOO2 process to align with the CPUC RA Phase 3 proceeding for the following reasons:

- Record three hour upward ramps, record low net loads, dramatic intra-hour and hourly ramps all occurred in 2016, years ahead of projections
- An estimated 2,000 MWs of renewable generation is to be added this year
- OTC plants are scheduled to start closing at the end of 2017
- EIM ramping test failures continue
- NERC Control Performance Standard scores possibly decreasing

Cogentrix remains committed to working with CAISO management and staff in their stakeholder process and in the CPUC proceeding. Many parties have acknowledged that existing, truly flexible, fast start resources are increasingly at-risk due to inadequate compensation for the reliability services they provide. If some form of prioritization for fast start flexible generation is not addressed as soon as possible, CAISO may lack the right tools to deal with extreme hourly, intra-hour and three hour ramps which could lead to serious reliability problems and detract from the other important regionalization issues.

Respectfully,

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Cc: Steve Berberich, President & CEO  
Keith Casey, Vice President, Markets and Infrastructure Development

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<sup>1</sup> Encina Power Station 2018 Once-Through Cooling Compliance Date Deferral Study, January 16, 2017.