

Stakeholder Comments Template

Flexible Resource Adequacy Criteria and Must Offer Obligation - Phase 2 Straw Proposal

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the straw proposal for the Flexible Resource Adequacy Criteria and Must Offer Obligation - Phase 2 that was posted on December 11, 2015. The straw proposal and other information related to this initiative may be found at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleResourceAdequacyCriteria-MustOfferObligations.aspx>.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **January 6, 2016**.

If you are interested in providing written comments, please organize your comments into one or more of the categories listed below.

1. Provision of flexible capacity by import or export resources

Six Cities’ Comments: The Six Cities support the ISO’s proposal to allow intertie import resources capable of fifteen minute scheduling to provide Flexible RA capacity. The ISO’s proposed eligibility criteria for static intertie import resources to provide Flexible RA capacity appear to be reasonable. (Straw Proposal at 4, 12-16). However, non-resource-specific Dynamic System Resources should be eligible to provide Flexible RA capacity.

The Six Cities request further information regarding the implementation details for use of import resources to provide Flexible RA capacity. Specifically:

- What are the documentation requirements for establishing that import capacity is resource-specific?
- How will the start-up requirements for the different categories of Flexible RA be applied in the context of import resources?

The Six Cities do not object to the ISO’s proposal to apply the RAAIM to import resources that have been designated for Flexible RA. If an import resource providing Flexible RA is on outage, any resource (whether an import resource or an internal resource) that certifies its ability to meet the must-offer obligation applicable to the resource on outage for the duration of the outage should be eligible to provide replacement or substitute capacity. This is consistent

with the replacement/substitution rule currently proposed for internal Flexible RA resources in the Reliability Services Initiative Phase 2.

With regard to the ISO's proposal to consider allowing exports to provide flexible capacity (Straw Proposal at 4, 12, 16), the Six Cities request further explanation as to how exports would be utilized to provide upward flexible capacity, which is the only flexible product the ISO proposes to recognize at this time. It appears that only fully-dispatchable and recallable exports could provide upward flexible capacity.

With respect to transmission charges applicable to exports, the Six Cities see no reason to exempt exports that provide flexible capacity from measured demand charges. An increase in exports in the middle of the day has the same effect on net load as an increase in load in the middle of the day, and increased load will be subject to measured demand charges. It would be discriminatory to exempt exports from the measured demand charge while continuing to charge increased load. If an export that is providing flexible capacity is decremented, then the reduction in the export would automatically reduce the transmission charges by reducing measured demand. Stated differently, there appears to be no opportunity cost related to transmission charges applicable to exports that stand ready to be decremented; there is a potential opportunity saving, which would be triggered if the export is reduced.

2. Flexible capacity from pumped-storage hydro model

Six Cities' Comments: The Six Cities take no position on this aspect of the Straw Proposal. (Straw Proposal at 16-20).

3. Merchant Variable Energy Resources

Six Cities' Comments: In light of the very limited number and MW volume of merchant VERs on the ISO system and the ISO's calculations showing limited impact of merchant VERs on flexible capacity needs, the Six Cities agree that a market design change to address the contribution of merchant VERs to flexible capacity requirements is not warranted at this time. (Straw Proposal at 4-5, 20-22). The Six Cities further agree with and rely on the ISO's commitment to continue to monitor the impact of merchant VERs on flexible capacity requirements if the MW volumes of merchant VERs increase over time. (Straw Proposal at 22).

4. Allocating negative contributions to flexible capacity requirements

Six Cities' Comments: The Six Cities support the ISO's proposal to recognize and allocate negative contributions to flexible capacity requirements. (Straw Proposal at 5, 22-23).

5. Resource adequacy showing requirements for small LSEs

Six Cities' Comments: The Six Cities support this aspect of the Straw Proposal. (Straw Proposal at 5, 23-24).

6. Other

Six Cities' Comments: The Six Cities support the ISO's proposal to continue the current policy of limiting the flexible product definition to upward flexible capacity. (Straw Proposal at 3).

The Six Cities reiterate the recommendation set forth in their September 1, 2015 comments on the August 18, 2015 Technical Workshop that the ISO conduct an analysis of SCE's alternative framework for Flexible RA presented at the Workshop. As noted in their September 1 comments, the Six Cities see significant positive features in the approach outlined by SCE. It would simplify application of Flexible RA requirements for all LSEs and would require procurement of additional capacity with specific attributes only when shown to be necessary to meet reliability needs. By simplifying the eligibility criteria and reducing the burdens associated with Flexible RA designation, the SCE approach would be likely to expand the pool of flexible resources available to the ISO. The ISO should engage in a thorough and open-minded evaluation of the SCE proposal, should identify for consideration by all stakeholders any concerns it may have with the SCE proposal, and should schedule a full discussion of the SCE proposal.