



To: CAISO Board of Governors;

Mr. Ashutosh Bhagwat
Mr. Mark Ferron
Ms. Angelina Galiteva
Mr. Richard Maullin
Mr. David Olsen
PO Box 639014
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From: Cogentrix Energy Power Management, LLC

Date: July 25, 2017

RE: FRACMOO2 Stakeholder Process

Dear Governors,

Cogentrix Energy Power Management, LLC (Cogentrix) appreciates the opportunity to again address the CAISO Board of Governors (Board) and follow up on our letter from February 16, 2017¹. The February letter addressed concerns related to the Flexible Resource Adequacy Criteria and Must Offer Obligation – Phase 2 (FRACMOO2) stakeholder process. In particular, Cogentrix was concerned about the slow timeline of the FRACMOO2 process, the lack of coordination between the California Public Utilities Commission’s (CPUC) 2018 Resource Adequacy (RA) proceeding and the FRACMOO2 stakeholder process, and unfolding events on the California grid that buttressed the need to address the market mechanism for fast start, flexible generation, including increasing levels of renewable penetration and more aggressive net ramp requirements.

In light of recent developments related to the CPUC 2018 RA Decision and statements by the CPUC Commissioners regarding the need to address flexible capacity in the next RA proceeding for the 2019 RA Season, we believe an opportunity has presented itself for the CAISO and the CPUC to align on timing for much needed revisions to the criteria for fast start, flexible generation.

As you are aware, in its 2018 RA Decision the CPUC did not adopt any changes to the criteria for Flex Capacity due to the lack of specific recommendations from CAISO regarding FRACMOO2. It also opted not to adopt multi-year RA requirements stating that a durable flexible capacity requirement was a “prerequisite” for multi-year RA. Despite the lack of action in the 2018 RA proceeding, the Commissioners made multiple comments, as they approved the 2018 RA Decision, regarding the need to address flexible capacity in the 2019 RA process.

Cogentrix is concerned that despite the CPUC’s recognition of the urgency of the matter, CAISO’s FRACMOO2 process may continue to languish. Most notably, we highlight that this topic was not included in any staff reports or as an agenda item for this Board meeting. The FRACMOO2 process began in June 2015, yet it is becoming apparent that the adoption of any changes to the flexible capacity framework may

¹ Cogentrix Letter to CAISO Board of Governors, February 16, 2017

not be implemented until 2020. Cogentrix supported the revised straw proposal made by the CAISO on May 1, 2017, concurring with the CAISO that while imperfect, the straw proposal reflected a “least regrets” approach to addressing the definition of flexible capacity. Given the lack of stakeholder agreement on its initial proposal, we urge the CAISO to continue to work with stakeholders in order to develop prudent changes to the flexible capacity mechanism that can be implemented in time for the 2019 RA season. Failure to do so will force the CAISO to continue to take action that works against California’s environmental and policy goals, including additional solar curtailment and dispatch of long-start generation to reliably operate the grid.

Cogentrix looks forward to participating in the FRACMOO2 working group meeting on August 2. Cogentrix trusts that CAISO will continue to emphasize the urgency around FRACMOO2 and work with stakeholders to conclude the process in time for the 2019 RA season. The CPUC appears ready for significant changes in the next RA proceeding, which presents a strong opportunity for the CAISO and the CPUC to align their views on this important initiative. Proper alignment and coordination between the CAISO and the CPUC will help integrate results from FRACMOO2 into the CPUC’s next RA Decision regarding the 2019 RA Season.

We continue to urge the Board to direct staff to regain and maintain momentum in the FRACMOO2 process. Cogentrix remains committed to supporting and working with CAISO management and staff on this important initiative, and looks forward to making real progress in the near future.

Respectfully,

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