

Valley Electric Cooperative Comments on Flexible Resource Adequacy Criteria and Must-Offer Obligation Phase Two Revised Straw Proposal

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VEA appreciates the opportunity to provide these comments on the ISO's FRAC MOO Phase 2 Revised Straw Proposal and May 8, 2017 Meeting.

VEA is a small LSE that has a 2017 planned peak load of approximately 125 MWs. As such, we appreciate the ISO's long-term vision that acknowledges any RA program should work for numerous small LSEs as well as large LSEs. Along these lines, there was a statement made toward the beginning of the May 8 meeting by the ISO that indicated the ISO believed the current flexible RA program was only administrative in nature and did not change the procurement by LSEs. VEA acknowledges that this is likely to appear true in the aggregate data due to large LSE behavior. However, VEA's procurement practices changed to comply with the flexible RA requirement. Although VEA is essentially fully sourced for its energy requirements, VEA's long-term contracts do not currently qualify as flexible RA. Whereas VEA had been able to provide much of its standard RA from its own contracted import, VEA has had to procure 100% of our flexible RA needs at average costs well above \$1/kw-month. This flexible RA cost has created a substantive impact on VEA's costs to serve its customers. It is clear in the data provided by the ISO¹, that there was no reliability need for VEA to do this and that the ISO has an excess of flexible RA (as defined today) on the system.

To the extent that the ISO needs capacity to maintain reliability, it is fair for small LSEs to do their part. But unlike large LSEs, VEA cannot quickly shift adjust the resources in its portfolio and usually has very small amounts of incremental uncontracted system needs in the near-term. Any changes to RA or flexible requirements that are not signaled far in advance will be a shock to small LSEs RA costs. VEA asks that the ISO consider small LSE's situations in both their short-term and long-term RA proposals.

Thank you for considering our comments.

¹ <http://www.caiso.com/Documents/SupplementalIssuePaper-FlexibleResourceAdequacyCriteria-MustOfferObligationPhase2.pdf>