Stakeholder Comments Template

FRACMOO 2 Stakeholder Working Group

This template has been created for submission of stakeholder comments on the FRACMOO 2 Working Group Call that was held on August 2, 2017. The working group presentations and other information related to this initiative may be found at:
http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleResourceAdequacyCriteria-MustOfferObligations.aspx

Submitted by	Company	Date Submitted
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GENERAL:

As AReM[1] has repeatedly explained, a robust policy to address reliability needs should identify the root causes of the reliability needs, develop a market-based transparent mechanism to address the reliability needs, and assign equitable cost responsibility based on cost causation principles. Proper cost causation ensures that all market participants get the correct price signals.

In spite of many years of effort, the CAISO is still seeking to understand the flexible needs on the system. In addition, the continued focus of the CAISO on specifying prescriptive capacity procurement requirements for load-serving entities (LSEs) is fundamentally misplaced and excessively burdensome.

AReM remains convinced that flexible capacity needs should be addressed first and foremost through biddable ancillary services (either as new ancillary services or as new requirements folded into existing ancillary services) and that the CAISO's primary focus should be on developing and implementing those ancillary services. The implementation of ancillary services will greatly improve the transparency of market prices and better support the ability of market participants to make investment decisions to meet the capacity needs of the system.

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[1] *AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California's direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.*

ANSWERS TO QUESTIONS:

1. Operational issues discussed during the working group related to flexible capacity needs.

   AReM is pleased that the CAISO appears to be making progress on understanding the operational issues it faces, but believes much more work is needed to ensure that the root causes of the flexible needs are identified and understood.

2. Proposed flexible capacity procurement framework presented by The Brattle Group.

   The proposal by Brattle was extremely brief. More details are needed before AReM can assess whether the proposed "framework" is adequate to identify root causes and potential solutions. AReM also notes that the "framework" appears to be focused on procurement of capacity by LSEs (see, Brattle Slide 5). AReM requests that Brattle look at the full array of options for addressing flexibility needs, in particular, adding new ancillary services or revising existing ancillary services products to capture the needed flexible attributes, while enhancing transparency and sending improved price signals.

3. Proposed flexibility metrics and any additional metrics that you believe the CAISO should consider.

   No comment.

4. Plan to move the flexible capacity initiative forward.

   *AReM believes that the CAISO's proposal for a revised proposal by mid-October, and CPUC and CAISO Board approval in mid 2018 is both unrealistic and unwise (see, CAISO Slide 32). This issue is complex and its root causes are far from well understood. Care should be taken to understand the underlying system issues and explore <u>all</u> options, including changes to the ancillary services markets. Such analysis and stakeholder review cannot be accomplished in a matter of a few months. AReM believes a more realistic schedule would be to target **mid 2019** as the proposed approval date for a CAISO Board decision and a CPUC decision, which would be implemented for the 2020 RA compliance year.*

5. Any other comments.

   See "General" comments above.