

Stakeholder Comments Template

Flexible Resource Adequacy Criteria and Must-Offer Obligation Fourth Revised Straw Proposal, Posted November 7, 2013

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the Flexible Resource Adequacy Criteria and Must-Offer Obligation fourth revised straw proposal on November 7, 2013, and issues discussed during the stakeholder meeting on November 13, 2013.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to fcg@caiso.com no later than the close of business on November 27, 2013.

1. The ISO has outlined a methodology to allocate flexible capacity requirements to LRAs. As detailed in the fourth revised straw proposal² and at the 11/13 stakeholder meeting PG&E has put forward an alternative allocation methodology. Please provide comments for each of these proposals, particularly as they relate to cost causation. If your organization has a preference for one over the other, please state your preference and why.

AReM Response: PG&E states that its approach was designed to “limit free ridership” (Slide 2 of PG&E’s presentation), but has provided no information on how much “free ridership” PG&E believe exists under the CAISO’s proposal. AReM has insufficient information and technical resources to make an informed decision on which approach is preferable. However, AReM is concerned that the CAISO’s assessment of PG&E’s proposal has found that the approach is inconsistent with the

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.

² PG&E’s specific proposal can be found at http://www.caiso.com/Documents/PG_E-Comments-FlexibleResourceAdequacyCriteriaMustOfferObligation-ThirdRevisedStrawProposal.pdf.

methodology used to allocate system RA and may, in fact, *encourage* free ridership.³ Given these concerns, AReM cannot support PG&E's proposal at this time.

2. The ISO believes that demand response resources should have the opportunity to provide flexible capacity. The ISO has proposed how demand response resources could do so. Please provide comments on the ISO's proposal. Specifically, please identify concerns with the ISO's proposal and offer potential solutions to these concerns. Additionally, please comment on the proper forum (ISO, CPUC, etc.) where these concerns should be addressed.

AReM Response: AReM has no comments on the CAISO's demand response proposal at this time.

3. Please provide comments and recommendations (including requested clarifications) regarding the ISO's proposed must-offer obligations for the following resources types:
 - a. Dispatchable gas-fired use-limited resources
 1. Please provide comments regarding the ISO's proposal that would allow resources with use- limitations to include the opportunity costs in the resource's default energy bid, start-up cost, and minimum load cost.
 2. Please provide information on any use-limitations that have not been addressed and how the ISO could account for them.
 - b. Specialized must-offer obligations:
 1. Demand response resources
 2. Storage resources
 3. Variable energy resources

AReM Response: AReM has no comments on the CAISO's proposal for must offer requirements at this time.

³ See discussion in 4th Revised Straw Proposal, pp. 21-23.

4. At the 11/13 stakeholder meeting there a significant amount of discussion regarding the appropriate method for setting the price for the proposed flexible capacity availability incentive mechanism. Please provide comments about how this issue might be resolved.

AReM Response: AReM has no comments on this issue at this time.

5. The ISO has proposed an SFCP evaluation mechanism/formula that weights compliance with the real-time must offer obligation heavier than the day-ahead must offer obligation. Please comment on:
 - a. The merits of using such a weighting mechanism relative to the “lesser of” proposal from the previous proposal
 - b. The relative weights between the real-time and day-ahead markets

AReM Response: AReM has no comments on this issue at this time.

6. There were several clarifying questions asked at the 11/13 stakeholder meeting regarding substitution of flexible capacity that is on forced outage. Please provide comments and / or questions (and potential answers) regarding any additional clarifications the ISO should make in the next revision to clarify this aspect of the proposal.

AReM Response: AReM has no comments on this issue at this time.

7. Please provide comments regarding how, or if, the SFCP adder price and the flexible capacity backstop price should be related.

AReM Response: AReM has no comments on this issue at this time.

8. Are there any additional comments your organization wishes to make at this time?

Calculating Change in Load as Part of Flexible Capacity Requirement

Allocation – For the third straw proposal in a row, the CAISO has modified the way it proposes to calculate the change in load in allocating the flexible capacity requirement. AReM believes that cost causation should be the primary driver in the allocation. The CAISO’s new proposal, which moves from using an LSE’s average contribution to using the LSE’s contribution during the 5-maximum net-load ramps,⁴ would seem to better reflect cost causation. However, AReM lacks the technical

⁴ 4th Revised Straw Proposal, p. 21.

resources to compare the alternative proposals for allocating the change in load and requests that the CAISO provide an estimate of the differing flexible capacity requirements for LSEs attributed to the change in load calculation proposed in the Third Revised Straw Proposal versus the one the CAISO now proposes in the Fourth Revised Straw Proposal, if an LSE requests such a comparison.

Previous AReM Comments That Have Not Been Addressed – The Fourth Revised Straw Proposal does not address several of the issues raised by AReM in its comments to the CAISO on the Third Revised Straw Proposal, as follows:

1. Concerns that bundling may create unintended deficiencies (AReM 10/28 Comments, pp. 5-6).
2. Concerns that the final EFC list is issued on September 1 with a two-week revision period provides insufficient time, because the LSEs' annual RA showings are due October 31 (AReM 10/28 Comments, pp. 6-7).
3. The lack of information concerning how Combined Cycle units will qualify to provide flexible capacity (AReM 10/28 Comments, p. 8).

While none of these questions or concerns were addressed in the CAISO's Fourth Revised Straw proposal, at the November 13th meeting, the CAISO stated that it was in the process of working out details on combined cycle units with the CPUC. AReM looks forward to a response on these concerns in the Draft Final proposal.