

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
Sue Mara, RTOAdvisors, L.L.C. <a href="mailto:sue.mara@rtoadvisors.com">sue.mara@rtoadvisors.com</a> (415) 902-4108	Alliance for Retail Energy Markets <sup>1</sup> (AReM)	December 13, 2017

The Draft Framework Proposal posted on November 20, 2017 and the presentation discussed during the November 29, 2017 stakeholder web conference may be found on the [FRACMOO](#) webpage.

Please provide your comments on the Draft Framework Proposal topics listed below and any additional comments you wish to provide using this template.

### **Identification of ramping and uncertainty needs**

The ISO has identified two drivers of flexible capacity needs: General Ramping needs and uncertainty. The ISO also demonstrated how these drivers related to operational needs.

#### **Comments:**

AReM has no expertise on this topic and thus provides no comments.

### **Quantification of the flexible capacity needs**

The ISO has provided data regarding observed levels of uncertainty, in addition to previous discussion of net load ramps.

#### **Comments:**

AReM has no expertise on this topic and thus provides no comments.

### **Eligibility criteria and must offer obligations**

The ISO has outlined the need for three different flexible RA products: Day-ahead load shaping, a 15-minute product, and a 5-minute product. Additionally, the ISO has identified a preliminary list of resources characteristics and attributes that could be considered for resource eligibility to

---

<sup>1</sup> 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.

provide each product. Additionally, the ISO is considering new counting rules for VERs that are willing to bid into the ISO markets.

**Comments:**

The CAISO's analysis continues to reflect significant operational issues. The CAISO's response to these operational issues should be to evaluate the root causes of the operational issues and fix them, to the maximum extent possible, through its energy and ancillary service markets. Instead, the CAISO proposes a complete re-vamp of the Flexible Capacity RA program. AReM opposes this approach. As discussed in more detail below, the CAISO should first develop and implement appropriate energy and ancillary service market enhancements, before imposing more complex Flexible Capacity RA requirements on load-serving entities (LSEs).

**Equitable allocation of flexible capacity needs**

Equitable allocation of flexible capacity needs is a critical element of a new flexible RA framework. The ISO seeks comments on potential allocation methodologies.

**Comments:**

AReM agrees that "equitable allocation of flexible capacity needs is a critical element," is a critical element of any RA program. AReM supports assigning equitable cost responsibility based on cost causation principles. Proper cost causation ensures that all market participants get the correct price signals. AReM has no proposal at this time for a cost allocation methodology.

**Other**

Please provide and comments not addressed above, including any comments on process or scope of the FRACMOO2 initiative, here.

**Comments:**

AReM has repeatedly explained in its comments to the CAISO that 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. The continued focus of the CAISO on specifying prescriptive capacity procurement requirements for 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.

Moreover, AReM opposes the CAISO's planned approach to impose a completely re-vamped Flexible Capacity RA program on LSEs *before* developing and implementing proposed market enhancements. Instead, the CAISO should develop and implement proposed market enhancements *first* and then re-evaluate its operational issues to determine whether or what changes are needed to the Flexible Capacity RA program. Accordingly, the CAISO should initiate work immediately on its proposed enhancements: (1) developing a fifteen-minute IFM market; (2) developing a day-ahead load following reserve product; (3) exploring means to better ensure resources follow their Dispatch Operating Target; and (4) investigating the root cause of recent intertie declines and any potential market changes necessary to mitigate this as a recurring problem. The CAISO should defer action on a re-vamped Flexible Capacity RA program until the appropriate market enhancements are implemented and evaluated.