**Comments of Cogeneration Association of California and
Energy Producers and Users Coalition**

As we understand it, the ISO proposal would limit the amount of "inflexible" capacity that could be scheduled to satisfy RA obligation to minimum net load. The remaining RA obligation would have to be satisfied by "flexible" capacity.

First a question for clarification or elaboration: The curves on Slide 36 of the July 22 presentation appear to be system load curves. So the total inflexible capacity to be scheduled on the ISO grid under the ISO proposal could be no greater than minimum net load. But the curve for an individual LSE would be different. Under the ISO proposal, could an LSE schedule inflexible capacity up to its own individual minimum net load?

We note that this "flexible capacity" need not have the ramping characteristic of Flexible Capacity. We assume under the current FRCMOO process that the LSEs are procuring enough flexible capacity to meet the greatest three-hour ramp for the month. That would mean that there is excess ramping capability to meet the lesser ramps during the month. Looking at the load curves, for example on Slide 40, it appears there are some ramps that are less steep and could be satisfied from resources other than those meeting the FRACMOO qualifications for three-hour ramps. Resources with less "flexibility" would still be useable in satisfying the net load. Again looking at an individual LSE's net load curve, it may also have less steep ramps than the system and could utilize resources other than those that meet FRACMOO qualifications. Some of these ramping needs should also be satisfied through procurement of the flexi-ramp product without imposing additional restrictions on RA capacity.

The proposal should be clarified on how it impacts regulatory must-take capacity that is self-scheduled. If it would limit the amount of RMTG that is self-scheduled (regardless of whether it is listed as RA capacity), it is fundamentally unfair and contrary to ISO obligations under PURPA. These CHP units generating RMTG have been in operation for decades. They are not the source of the growing overgeneration problem. It is unfair to impose a remedy for overgeneration by constraining the baseload generation that has historically been part of the system. Under PURPA, there is an obligation to take the electrical output of the cogeneration resource, and the ISO proposal would effectively limit the ability to deliver that output to the grid.

We also note that this is suggesting a remedy for overgeneration before we know the extent and nature of the problem. We do not know the current size of the problem -- the ISO needs to do modeling of the net load curve using 2015 data as Peter Griffiths suggested, reflecting current market optimization rules. Additionally, the scope of activities for the next year in the Long-Term Procurement Planning docket at the CPUC includes exploring all of the possible remedies for overgeneration, including what relief exports could provide. The ISO proposal would circumvent and ignore all of that work. We appreciate that the ISO is concerned that the scraping of the graph by the duck

belly seems to be approaching faster than forecast, but a long-term solution for overgeneration should not be imposed until the policy debates are completed in the LTPP.