

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 [Local Regulatory Authorities]. As detailed in the fourth revised straw proposal¹ 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.

CalWEA has several fundamental comments in this area:

- a) CalWEA agrees with the CAISO that the allocator should be based on the LSE's historical/forecasted load variation at the time of the 3-hour maximum net load ramp to better reflect each LSE's contribution to the ramp as compared with an average load ramp forecasted at different times of the month or season.

¹ PG&E's specific proposal can be found at http://www.caiso.com/Documents/PG_E-Comments-FlexibleResourceAdequacyCriteriaMustOfferObligation-ThirdRevisedStrawProposal.pdf.

- b) CalWEA strongly objects to CAISO removing the Δ Distributed Energy Resources from the allocation factors for two obvious reasons:
- The state is in the midst of an explosive rise in distributed renewable energy (including solar rooftops); thus, relying on historical information on the performance of distributed energy resources subsumed in load variation is likely to result in an erroneous (and thus unfair) allocation of costs, especially given the common understanding that one of the two major ramps in the day is due, in significant part, to such distributed resources; and
 - By subsuming the contribution of distributed energy resources within load, the ISO would mask the impact that these resources are having on the cost of grid operation. This information is needed to inform policy decisions related to the integration cost of these resources. The main objective of this exercise is, after all, to inform LSEs and policymakers about the indirect costs associated with the procurement decisions and policy choices that they make.

We should note that CAISO can readily access all the data that is necessary to explicitly account for the impact of Δ Distributed Energy Resources from LSEs.

- c) The allocator presented in Section 5.1.2 of the Fourth Revised Straw Proposal attempts to identify all the “uncontrollable” drivers of the 3-hour maximum net load ramp, but misses one of the biggest of these “uncontrollable” drivers: the LSEs’ fixed import/generation schedules. The impact of these schedules must be added into the Flexible Capacity allocator to reflect the impact that they have on the procurement of the Flexible Capacity Product (FCP).
- d) Per our point 1a above, CalWEA fully supports CAISO’s use of the LSE’s historical/forecasted load variation at the time of the 3-hour maximum net load ramp as part of the allocation factor for procured Flexible Capacity. It is now only logical that the same treatment be extended to the other variables in the allocation formula, namely: Δ Wind Output, Δ Solar PV, Δ Solar Thermal, Δ Distributed Energy, and Δ Fixed Schedule. In other words, CAISO should account for the contribution of all these factors by using their forecasted amounts at the time of the 3-hour maximum net load ramp. It is critical to note that CAISO has all the necessary data, systems and expertise to perform this calculation and should do that for proper Flexible Capacity allocation.

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.

CalWEA has no comment on this point 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.

Explicit provision for gas plants opportunity costs gets in the way of standardizing the Flexible Capacity Product (FCP) and as such it must be avoided. A resource should internalize all opportunity costs when offering its Flexible Capacity.

2. Please provide information on any use-limitations that have not been addressed and how the ISO could account for them.

Per response above, CalWEA does not agree with inclusion of use limitations to start with.

- b. Specialized must-offer obligations:

The must-offer obligation for all types of resources should be limited to time periods when the 3-hour maximum net load ramp is likely to happen rather than to a blanket time period between 5 AM to 10 PM. While the latter practice would ease the administration of FCP procurement, it would serve to limit competition for this service because fewer participants will be able to offer services over the extended time period, leading to higher FCP costs. Thus, CalWEA suggests that the time window for the must-offer obligation be pre-determined on a month-to-month (or season-to-season) basis and the obligation to offer be verified against the pre-determined time windows.

1. Demand response resources
2. Storage resources
3. Variable energy resources

VERs' contribution to addressing flexible capacity needs should mainly be in the form of reducing the need for that capacity, as opposed to providing Flexible Capacity. This will facilitate the ability of the CAISO to standardize the necessary characteristics of Flexible Capacity based on resources that can consistently and reliably provide such capacity.

However, the CAISO should properly account for the contribution of VERs in reducing the need for flexible capacity, and the CAISO should work with the LSEs to explore the use of curtailments enabled in the PPAs to mitigate the net load ramps at least during those few time-periods during the year when the largest three-hour contiguous ramps are expected to occur. Utilizing this existing capability would reduce the monthly and annual flexible capacity requirement for the entire system and the participating LSE in particular. By reducing the need for flexible capacity requirements, renewable resources can make a significant contribution to resolving the issue.

4. At the 11/13 stakeholder meeting there [was] 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.

CalWEA has no comment on this point 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

CalWEA has no comment on this point 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.

CalWEA has no comment on this point at this time.

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

CalWEA has no comment on this point at this time.

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

No.