From: Niroula, Mohan@DWR [mailto:Mohan.Niroula@water.ca.gov]
Sent: Thursday, December 26, 2013 1:34 PM
To: fcp; Meeusen, Karl
Subject: CDWR's comment on Working Group FRAC MOO discussions

CDWR appreciates the opportunity to submit its comments on the issues discussed in December 13 FRAC MOO Working Group meeting. CDWR has following comments:

- Allocation methodology based on LSE's coincident contribution concept should not change with the bucket must offer obligation (MOO) approach. FRAC-MOO is an interim solution to address flexibility needs until a more holistic solution would be designed in future in which granular products would be introduced such as ramp down needs. The value of demand response resources such as participating load (PL) would not be realized until such granular products are designed that could alleviate the need for ramp down generating capacity. Since FRAC MOO only considers 3 hour net load ramp up capacity, PL's contribution in reducing the ramp down needs will not be recognized. If a PL consumes energy when ISO needs ramp down capacity, the PL fulfills the dispatch of generation for ramping down. Therefore, any changes to the conceptual allocation methodology in the prior proposal should not penalize PL (which negates the ramp down needs). In other words, if their contribution in reducing ramp down capacity need is not recognized, they should not also be penalized for ramp up capacity needs if the concept of the ISO system coincident LSE's contribution is to depart in allocation of flexible capacity obligation.

- Use Limited Resource flexibility capacity: as illustrated in the presentation, the value of ULR contemplated for bucket 2 through 4 is as important as bucket 1 MOO resource (24 hours capable resource) as these are aimed at top tiers (ramping needs A-max. 3 hr net load ramp of the month & C-largest secondary 3 hr net load ramp of the month at slide 5) of flexibility requirements. Variable Energy Resources (VERs) that are capable of providing flexibility (as contemplated in the previous proposal) could also meet some of the flexibility needs in bucket 1 if a large pool of such resources is available. Wind and Solar resources in a pool willing to offer flexibility may fill some of the ramping needs identified as bucket 1 without being subject to 24x7 MOO individually.

- Bucket MOO: For an LSE, if a single resource that is capable of providing its entire flexible capacity obligation, the LSE may choose to use the same resource for all buckets and reduce the stringent MOO requirements of bucket 1 through other buckets. For example, for an LSE A, if 100 MW of its obligation is met by only one resource 100 MW that is capable to offer 24x7 (bucket 1- MOO), it would be less burden for the LSE to break down the resource capacity to four buckets while meeting its flexible obligation by buckets. The breakdown of bucket MOO would be:

  Bucket 1=50 MW (minimum of 50%), Bucket 2=25 MW, Bucket 3=20 MW (max. of 20%), Bucket 4=5 MW (max. of 5%)

  An LSE could manage its resource in a way that is practical irrespective of classification of resource as a use limited. Therefore, bucket 1 should not be limited to 24x7 resources only. The proposal should let LSE decide if any resource it has can be allocated to four buckets and be subject to the bucket MOO in an efficient manner.

  Moreover, an analysis of the need for 24x7 MOO for bucket 1 should be demonstrated.

- CDWR is in favor of the deferral of SFCP until the 2016 delivery year.

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