



CESA Comments on FRACMOO August 2, 2017 Working Group Meeting

Submitted by	Company	Date Submitted
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The California Energy Storage Alliance (CESA)¹ appreciates the opportunity to provide comments in response to the California Independent System Operator's (CAISO) August 2, 2017 Working Group meeting on the Flexible Resource Adequacy Capacity Must Offer Obligations (FRACMOO). In the Working Group, the CAISO proposes to 're-set' the FRACMOO initiative to clarify key goals, study key problems, and offers a schedule to enact key FRACMOO design changes in time for the 2020 RA year.

CESA support the CAISO's plan for moving forward but suggests urgency and an intensive plan to fully develop a Draft Final Proposal by the end of 2017. CESA recommends very fast pacing for the Brattle study, if reasonable, so that stakeholders can vet, digest, and move forward from any findings.

CESA requests that Brattle analysis respond to concerns on past FRACMOO analyses raised by stakeholders and, in so doing, provide a 'point-counter-point' response. CESA believes this precise and direct level of responsiveness to stakeholder inputs in assessing 'the flexibility problem' and in considering solution will allow a path forward where appropriate and a record of where and how the CAISO's views may differ from stakeholders. Some differences in opinion

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may need to be accepted if the CAISO is to move forward. This approach will also allow dissatisfaction in FRACMOO analysis to be differentiated from valid concerns, as the former should not arrest progress on flexible capacity solutions, where analysis reasonably shows a need.

To support its mission, the CAISO also must prepare to act to ensure planning capacity frameworks reliably support grid operations. Per the slides shared by the CAISO, operating conditions are becoming more challenging.² It is important to observe real-world conditions, even if study or ‘paper exercises’, which may under-represent the challenges of intra-hour uncertainty, commitments, and multi-interval or other dispatch constraints. Market signals and products, including in the spot markets promote shifts in the fleet over time. It is unreasonable to presume that rules for RA or FRACMOO create no signal to the market, so the CAISO should affirm that planning capacity constructs do provide more value than merely addressing immediate revenue short-falls for the minimum level of capacity needed to meet static study targets.

A flex capacity planning construct will promote both a workable tool for near-term operations and a helpful market signal to which the fleet can respond and evolve. Solutions should economically value fast ramping resources that are needed and more helpful to market operations.

The CAISO should also affirm that the solution it seeks fits with long-standing market efficiency principles. As such, the CAISO should avoid designs that reasonably perpetuate or create any routine reliance on out-of-market actions such as reliability curtailments, exceptional dispatches, one-off CPMs, or other backstop tools, within reason. A fleet that reliably operates the grid through a reasonable market optimization in a wide array of expected operating conditions should be the goal. Insofar as curtailments are excessive, capacity solutions should be used to mitigate out of market curtailments to address challenges with over-generation and p-min burdens. In particular, where such challenges impede CAISO performance on key reliability criteria, the CAISO should take actions to improve market participation and planning capacity. Consistent reliability curtailments likely indicate an inadequate market design *and* an inadequate fleet for operations. Such outcomes are inefficient and therefore costly. This market efficiency goal should counter views that excessive curtailments are ‘just operational’, as some stakeholders might suggest.

Finally, CESA supports efforts to improve market operations such as the shift to a Day-Ahead market that solves in 15-minute intervals, rather than the conventional hourly solutions. This will better ensure ramping needs are addressed, improve commitments, and provide other

² See CAISO slides by Clyde Loutan, Aug 2, 2017.

benefits. Other solutions to the Day Ahead Market, including a Day-Ahead representation of the ramping needs for uncertainty, as well as improvements to the Regulation product, will all ensure fast flexible resources are valued more appropriately. Finally, a better representation of commitment costs in energy market prices, such as allowed through Convex Hull pricing, could also allow for more efficient commitments and market pricing.

CESA looks forward to working with the CAISO on these important matters.