

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the FRACMOO Phase 2 stakeholder initiative Draft Framework Proposal posted on May 1, 2017.

Submit comments to [InitiativeComments@CAISO.com](mailto:InitiativeComments@CAISO.com)

**Comments are due December 13, 2017 by 5:00pm**

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:**

CLECA finds the two drivers illuminating and understands how they relate to operational needs. However, we still have many questions. To what extent can load forecast error be improved? How will wind and solar uncertainty be affected by economic bids? In the latter case, we understand that the CAISO intends to study the impact of economic curtailment on wind and solar uncertainty, although we are not sure how (or when) this study will take place.

It appears that the intent of the identification of the two drivers is to inform RA procurement going forward by providing access to faster ramping resources. However, two things are still not clear. First, do existing flexible RA resources provide sufficient ramping capability or do they not? Can the CAISO demonstrate that this capability will be insufficient in the future, particularly with the OTC plants retiring? Second, how will this proposal lead to higher compensation for faster-ramping resources, or is this no longer a concern? Is the expectation that because an LSE can procure capacity from two slower ramping resources vs. one faster-ramping resource, the price of the faster resource will be higher?

#### **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:**

It appears that the uncertainty issue is a key one in this stakeholder process and we encourage the CAISO to focus on forecast error and how to minimize it. The limited uncertainty data are helpful in identifying the perceived need for flexibility beyond the forecast net load ramping requirements. However, more work should be done to rigorously analyze the uncertainty needs based on historical data over a longer period of time. Forecasts of uncertainty will then need to be made. So far, the CAISO has presented anecdotal information regarding ramping and uncertainty needs. Without a historical analysis of the data and credible forecasts of needs, it is not possible to fully evaluate the current proposal.

We also have several concerns about how the uncertainty translates into an additional procurement requirement. How will it translate into a specific quantity to be procured of the day ahead flexible reserve, the 15-minute ramping product, and the 5-minute ramping product in advance for procurement through an RA product? The CAISO presentation appeared to be more illustrative than a specific proposal for a particular methodology for determining how much of each type of product should be procured, although we appreciate the concept of allowing the 5-minute product to meet the requirements for the 15-minute product.

We also note that one of the market reforms that was discussed, a 15-minute day-ahead market, is very likely to reduce forecast error. There does not appear to be any mechanism to

modify procurement to reflect this reduction in uncertainty, particularly since the CAISO plans to assess the market reform proposals in parallel with this stakeholder process.

Furthermore, the actual specification of the day ahead flexible reserve is not at all clear in terms of what will be procured (is it an ancillary service?) and how it will be dispatched.

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

#### **Comments:**

CLECA will wait to see the eligibility criteria proposed by others. Given what the CAISO has proposed in its paper, there is much work to be done in identifying these criteria, the MOO, and the counting rules. Since we are not in the market, it is also not clear to us how easily LSEs will be able to procure these products. While the current 3 categories of flexible capacity are proposed to be replaced with these other products, it appears likely that these will add complexity to procurement. This is clearly a matter to be taken up at the CPUC with LSE and resource supplier input.

We do not have enough information about the new counting rules for VERs that are willing to bid into the CAISO markets to offer comments, but we support an approach that does not assume that they are must-take, thus potentially overstating their contribution to the ramp.

### **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:**

CLECA has long proposed allocation of flexible capacity needs based on the ramping requirements resulting from the resource portfolios of the various LSEs. We understand there have been challenges in implementing such a methodology, but it does appear to be the fairest approach.

### **Other**

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

#### **Comments:**

At the November 29 workshop, the CAISO stated that it would seek market reforms that could help ameliorate the need for flexible RA for ramping. However, the CAISO also stated that these reforms would be set forth in separate stakeholder initiatives in parallel with this one and follow a different track. CLECA supports such CAISO proposed market changes as the creation of a 15-minute DAM, which should make the DAM more responsive to real time operational needs. However, we are concerned about the timing of these reforms and the implications for FRACMOO2. We prefer to have these proposed market changes be vetted and adopted expeditiously so that their consequences for flexibility needs can be incorporated into the evaluation of any changed flexibility need, rather than occurring in parallel. The latter could lead to development of a proposal that will meet previous needs that no longer exist.

CLECA appreciates the CAISO's intention to study the cause of recent intertie declines and how these might be mitigated. Allowing hydro imports to provide flexibility could be very beneficial, but these imports must be available and deliverable in the real-time market.

Lastly, CLECA is concerned that these are challenging issues and that the development of solutions in the next month to allow for a draft final proposal in January is overly ambitious. There is considerable work ahead and it is highly unlikely that the CAISO will be able to bring a fully thought-out proposal to the CPUC in its RA proceeding or that the CPUC will be able to sufficiently review it in time to make a decision for the 2019 compliance year. It would be better to take more time to work out the many details in conjunction with the impact of the proposed market changes and provide assurance that any changes to flexible RA requirements will fully meet the system's needs without over-procurement.