



**Comments on the Draft Tariff Language for
Flexible Resource Adequacy Criteria and Must-Offer Obligation
Department of Market Monitoring
May 27, 2014**

DMM appreciates the opportunity to review and comment on the ISO's proposed tariff language for implementation of the FRAC-MOO initiative. The draft language represents a solid start to putting together tariff provisions for this initiative. DMM finds most of the language to be satisfactory, but asks the ISO to address some points of concern.

The main points of concern involve the must offer obligation and the relationship between Flexible RA requirements and traditional RA requirements. The specific concerns are important, but DMM does not believe that any of them represent policy changes. Instead, they are areas where the language appears vague or less well defined than would be optimal, and could lead to ineffective, inefficient or disputed market rules in future years.. We believe that with more robust language and an eye towards simplification and clarity, the appropriate tariff provisions are not far away.

Specific sections to be addressed:

40.10.1.3(4) : The forecast adjustment to the Flexible Capacity Need has been a controversial subject throughout the stakeholder process. DMM would appreciate something more concrete to describe how the ISO will consider whether the amount of Flexible RA calculated by the ISO's proposed methodology reasonably represents the needs of the system. As is, this is wide open and suggests that the ISO can significantly change the requirements at will. If a more detailed process will be developed for the BPM, then the use of the process contained in the BPM should be mentioned here.

40.10.3.3(a) : DMM is unclear on the difference between total Flexible Capacity Need and base Flexible Capacity Need. If base Flexible Capacity Need is related to Flexible Capacity Category- Base Ramping Resources, that should be made clear. Otherwise, additional detail is needed to define base Flexible Capacity Need.

40.10.4 : The ISO does not plan to calculate EFC for resources that have only bid into IFM previously. This would mean that to count as Flexible RA Capacity a resource must have participated in the RTM during the previous calendar year. DMM does not recall this requirement being discussed in policy formulation. Clarification is requested.

40.10.4.2 : In this section, each time references are made to a resource's ramping capability over three hours, the ISO should clarify whether this is the maximum ramping capability over three hours, the ramping capability over three hours starting from Pmin, the ramping capability over three hours starting at 0, or another starting point for three hour ramping capability. These numbers can be different, so clarification is important to avoid confusion, disputes and potential ineffectiveness of market rules during or after the implementation process.

40.10.4.2.1(a)(1) : The tariff language contains a reference to Section 40.10.4.1(a), which does not exist. The reference suggests that the section contains a description of criteria that a resource must meet to have its EFC calculated by the ISO. Without that section, the criteria are unclear.

40.10.5.4(c) : The ISO plans to use Resource Flexible RA capacity plans to set obligations of resources and assign costs in a way that resolves LSE deficiencies. The methods to do this are unclear. Section 40.10.5.5(c) uses the same language to address discrepancies between resource-submitted plans and LSE submitted plans. The language fits better in that sense than it does in terms of resolving LSE deficiencies.

40.10.6.1(a) : The ISO should clarify what is meant by "Flexible RA Capacity that is capable of being economically dispatched", and how and why there might be Flexible RA Capacity that is not capable of being economically dispatched. DMM understands that the capacity to be dispatched is the key characteristic of any Flexible RA Capacity resource. This section of the proposed tariff language seems to open the door for resources that are not dispatchable to serve as Flexible RA capacity, and to have no must-offer obligation. For example, combined heat and power facilities and qualifying facilities may not be capable of being economically dispatched when their heat dependent process is not running or when other non-electricity related conditions dictate. DMM would appreciate some clarity on whether or not these resources are eligible to be counted as Flexible RA Capacity resources when they are not capable of being economically dispatched, and apparently have no must-offer obligation.

40.10.6.1(f) : DMM would like the ISO to clarify that Flexible RA capacity resources that are not also serving as traditional RA resources will be subject to a real time market bidding requirement. As written, this section suggests that only Flexible RA resources that are subject to the other RA requirements (and therefore subject to the provisions of Section 40.6.3) will be expected to bid into the real time markets if they do not receive a commitment from the IFM. In general, DMM has understood that not all Flexible RA resources will need to count as traditional RA resources. This section of the draft language seems to either leave a hole in the must-offer obligation for resources that are Flexible RA resources and not traditional RA resources, or else suggests that all Flexible RA resources are meant to be subject to all of the traditional RA requirements.

43.2.7(b)(2) : As written, the ISO will see a deficiency in Flexible Capacity if all minimums are met, and one maximum is exceeded. For example, if there was an ample supply of Base Ramping Resources and more than enough Peak Ramping resources to fulfill the rest of the requirement, this excess of Peak Ramping resources would result in a deficiency.

43.5.1 : The ISO suggests that all CPM Flexible Capacity will be subject to 24 hour availability in the same way as traditional RA resources. The application of traditional RA requirements to Flexible RA resources needs to be clarified.