

Stakeholder Comments Template

**Flexible Resource Adequacy Criteria and Must-Offer Obligation  
Straw Proposal, July 25, 2013**

Submitted by	Company	Date Submitted
Peter Spencer Regulatory Analyst 505 Van Ness Avenue, Room 4103 San Francisco, CA 94102 (415) 703-2109 phs@cpuc.ca.gov	Division of Ratepayer Advocates- California Public Utilities Commission	August 15, 2013

This template is for submission of stakeholder comments on the topics listed below, covered in the Flexible Resource Adequacy Criteria and Must-Offer Obligation revised straw proposal on July 25, 2013, and issues discussed during the stakeholder meeting on August 1, 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](mailto:fcg@caiso.com) no later than the close of business on August 15, 2013.

1. The ISO has proposed a process by which an annual flexible capacity requirement assessment would be conducted. Please provide any comments or questions your organization has regarding this proposed process.

To allow for adequate stakeholder input in the CPUC RA proceeding, the final FCR study should be released no later than the end of April each year. The timeline proposed on page 11 of the second draft calls for posting of the final FCR study in May/June. This is too late in the process as the CPUC RA annual decision to adopt FCR requirements for the following year will be adopted in June with a preliminary decision required in May.

2. The ISO has outlined a methodology to allocate flexible capacity requirements to LRAs. It is based on one possible measurement of the proportion of the system flexible capacity requirement to each LRA and calculated as the cumulative contribution of the LRA's jurisdictional LSE's contribution to the ISO's largest 3-hour net load ramp each month. Please provide comments regarding the equity and efficiency of the ISO proposed allocation. Please provide specific alternative allocation formulas when possible. The ISO will give greater consideration to specific allocation proposals than conceptual/theoretical ones. Also, please

provide information regarding any data the ISO would need to collect to utilize a proposed allocation methodology. Specifically,

- a. Over the course of a day or month, any of the identified contributors to the change in the net load curve may be positive or negative. How should the ISO account for the overall variability of a contributor over the month (i.e. how to account for the fact that some resources reduce the net load ramp at one time, but increase it at others)?
- b. What measurement or allocation factor should the ISO use to determine an LRA's contribution to the change in load component of the flexible capacity requirement?
- c. Does your organization have any additional comments or recommendations regarding the allocation of flexible capacity requirements?

DRA has no comments at this time.

3. The ISO has proposed must-offer obligations for various types of resources. Please provide comments and recommendations regarding the ISO's proposed must-offer obligations for the following resources types:
  - a. Resources not identified as use-limited
  - b. Use-limited resources
    1. Please provide specific comments regarding the ISO's four step proposal that would allow resources with start limitations to include the opportunity costs in the resource's start-up cost.
    2. Please provide information on any use-limitations that have not been addressed and how the ISO could account for them.
  - c. Hydro Resources
  - d. Specialized must-offer obligations (please also include any recommended changes for the duration or timing of the proposed must-offer obligation):
    1. Demand response resources
    2. Storage resources

### 3. Variable energy resources

DRA has no comments at this time.

4. The ISO has proposed to include a backstop procurement provision that would allow the ISO to procure flexible capacity resources to cure deficiencies in LSE SC flexible capacity showings. Please provide comments regarding the ISO's flexible capacity backstop procurement proposal.

DRA agrees with the need to include flexibility capacity backstop authority on a one-year forward basis as proposed.

5. The ISO is not proposing to use bid validation rules to enforce must-offer obligations. Instead, the ISO is proposing a flexible capacity availability incentive mechanism. Please provide comments on the following aspects of the flexible capacity availability incentive mechanism:

- a. The proposed evaluation mechanism/formula

1. The formula used to calculate compliance
2. How to account for the potential interaction between the flexible capacity availability incentive mechanism and the existing availability incentive mechanism (Standard Capacity Product)

- b. The use of a monthly target flexible capacity availability value

1. Is the 2.5% dead band appropriate?
2. Is the prevailing flexible capacity backstop price the appropriate charge for those resource that fall below 2.5% of monthly target flexible capacity availability value? If not, what is the appropriate charge? Why?

- c. Please also include comments regarding issues the ISO must consider as part of the evaluation mechanism that are not discussed in this proposal.

The flexible capacity availability incentive mechanism is proposed to measure and encourage compliance with the enhanced flexibility must offer obligations. The ISO anticipates that the flexible capacity availability incentive mechanism will not be in place until the 2016 calendar year. DRA supports the adoption of this mechanism, but questions the implementation of the flexible must offer

obligation in 2015 prior to implementation of a mechanism to measure and assure compliance. Flexible obligations will likely result in ratepayer costs for which commensurate benefits should be required. The proposal states on page 32 that “the ISO must establish a new availability incentive mechanism and measurements for flexible capacity resources...” This important component of the flexible capacity must offer obligations should be adopted in conjunction with MOO and not independently a year later. The schedule for adoption of the incentive mechanism should be revised to require implementation in 2015 concurrently with the enhanced flexible MOO. Alternatively, but less preferable, adoption of the enhanced flexible MOO should be revised until 2016 when it can operate in conjunction with the incentive mechanism.

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

The current proposal related to a flexible capacity must offer obligation is an evolutionary refinement of the RA program. On page 6 of the proposal, the ISO states that the new MOO is a critical component of a new forward procurement mechanism as proposed in a Joint Reliability Framework issued by the CPUC’s Energy Division and the ISO. The Joint Reliability Framework is a highly conceptual idea with few details and has not yet been endorsed by either the CPUC Commissioners or the ISO Board of Directors. The current flexible capacity must offer obligation proposal modifies current policies independent of the concept for a new reliability framework and should be adopted regardless of whether the Joint Reliability Framework moves forward.

This initiative should be kept in context with related efforts to address the dispatchability and availability of flexible resources. In comments submitted CAISO on July 25 on the Joint ISO-ED Joint Proposal for a Multiyear Reliability Framework, DRA noted other ISO initiative currently underway that will further enhance the availability of flexible capacity for dispatch by the ISO. These ISO initiatives include, for example: Energy Imbalance Markets, FERC Order 1000, FERC Order 764, Flexible Ramping Product, CAISO Market Optimization, Energy Bid Cost Recovery, Commitment Costs refinements, Energy Self-Schedule Requirements for Self-Provision of Regulation, Integrated Day Ahead Market, and enhancements for Multi-Stage Generation. DRA urges the ISO to move aggressively on adopting and implementing these initiatives by the end of 2014 at the latest and much sooner if possible.

Page 25 of the proposal suggests using the highest LMPs to help inform bidding resources. The proposal offers a method to maximize resource profits by sharing information on the highest LMP at the resource’s node. It is not clear why the ISO would assist resources in forecasting the highest LMPs and it has the potential to raise ratepayer costs without apparent benefits.