

Stakeholder Comments Template

Flexible Resource Adequacy Criteria and Must-Offer Obligation Third Revised Straw Proposal, Posted October 3, 2013

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the Flexible Resource Adequacy Criteria and Must-Offer Obligation third revised straw proposal on October 3, 2013, and issues discussed during the stakeholder meeting on October 9, 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 fcp@caiso.com no later than the close of business on October 16, 2013.

1. 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. Specifically, please comment on:
 - a. The ISO's proposal to use an LSEs average contribution to historic daily ISO maximum 3-hour load changes to allocate the Δ load component of the flexible capacity requirement.
 - b. The potential of using historic average daily maximum 3-hour net-load ramps or time of day system maximum 3-hour load ramps (morning vs. evening ramps).
 - c. What other measurement or allocation factor should the ISO consider to determine an LRA's contribution to the change in load component of the flexible capacity requirement?

- d. Should the ISO consider seasonal allocations for each component? What would these seasonal allocations look like?
2. The ISO believes the proposed methodology reflects causation principles. Specific to allocating flexible capacity requirements, what does “causation” mean to your organization and how would this definition be most accurately reflected in a flexible capacity requirements allocation process?
3. What are the appropriate bounds for the maximum and minimum for the error term as well as how to address year-to-year variability? What are the appropriate actions if such bounds are reached?
4. 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. Dispatchable gas-fired use-limited resources
 1. Please provide comments regarding the ISO’s proposal that would allow resources with use- limitations to include the opportunity costs in the resource’s default energy bid, start-up cost, and minimum load 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.
 - A. EnerNOC appreciates CAISO’s recognition of its comments in its 3rd Revised FRACMOO Proposal by adjusting the hours over which DR resources would be required to bid into CAISO’s day-ahead and real-time markets to 7 AM to noon and 3 to 8 PM.

All of the other concerns relative to the opportunity cost method of limiting monthly dispatches, which were expressed in

EnerNOC's comments on the 2nd Revised FRACMOO Proposal still stand and are contained by reference herein.

Further, while CAISO has declined to address the PDR market design which would require FRACMOO bids to be submitted on a sub-LAP basis as being beyond the scope of this stakeholder process, it is the very fact that a flexible capacity resource requirement is being developed to meet a system need that the design of PDR is being called into question. EnerNOC respectfully disagrees that the issue is beyond the scope of this process. However, EnerNOC will raise this concern in the stakeholder catalogue of issues as well.

2. Storage resources.
3. Variable energy resources.
5. The ISO has proposed a flexible capacity availability incentive mechanism
Please provide comments of the following aspects of this mechanism:
 - a. The selection of the adder method as the preferred option
 1. Should the ISO still consider the bucket method, the “worse-of” method, or some other method not already considered? Why?
 - A. The adder method is not preferred for DR resource purposes. The CAISO's preference for the adder seems to be based upon the concept that a resource is either generic or generic and flexible, but cannot be flexible only. That assumption may make a lot of sense for generation resources; but, it is not an appropriate assumption for demand response resources. In fact, it is highly unlikely that the same customers will be participating as both flexible capacity and generic capacity resources. Why? Because the product definitions are very different and would require very different response capabilities of the customers. EnerNOC would be recruiting customers specifically to meet each resource's definitions

For example, resources that are designed to meet a summer peak requirement would be comprised, to a large degree, of resources that are capable of reducing air conditioning load that are available to be dispatched between the hours of 1 PM and 5

PM. Further, the resource must be available to be dispatched for up to four hours over 3 consecutive days.

A flexible capacity resource would be needed most in the winter months (November through March) in the morning hours or late afternoon/evening hours. It has a separate must-offer obligation. The loads that are able to respond would not be weather-sensitive loads, for the most part. We would have to find other operational use reductions, other than A/C, for example. While this is possible, by pre-cooling applications etc., the HVAC profiles for customers during the morning hours of a winter month is going to produce smaller quantities of curtailable MW than a mid-day summer month would.

As such, from a DR resource perspective, it makes sense to measure the incentive of a flexible capacity resource relative to the SFCP and to measure the incentive of a generic capacity resource against the SCP.

- b. The price for the flexibility adder. Specifically, if the ISO proposed price is not correct, what price or data source should the ISO consider and why?
- c. The interaction between the existing SCP and the proposed SFCP
 - A. See comments above to a. Also, at present, there is no definition of an SCP as it relates to DR.
- d. The proposed SFCP evaluation mechanism/formula
 - 1. The formula used to calculate compliance (including the treatment of long-start and use-limited resources)
 - 2. The treatment of forced and planned outages
 - 3. The minimum availability thresholds for use-limited resources
 - A. The minimum availability rules for DR in most months will be roughly 20 days (30 days less 4 weeks*2 weekend days less any holidays) or 90% of non-holiday weekdays * 5 hours/weekday.
- e. The proposed substation rules for forced outages

- A. It is not clear what this is.
 - f. Please also include comments regarding issues the ISO must consider as part of the evaluation mechanism that are not discussed in this proposal.
6. 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 following issues of ISO's proposed flexible capacity backstop procurement proposal:
- a. The inclusion of the adder methodology
 - b. The opportunity for LSEs to provide a list of uncommitted flexible capacity that can be used to help cure flexible capacity deficiencies
7. Are there any additional comments your organization wishes to make at this time?