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**Sent:** Monday, December 23, 2013 3:51 PM

**To:** fcp; Meeusen, Karl

**Subject:** Informal Comments on Revised FRAC MOO Proposal

Dear Karl and Team:

Thank you for the opportunity to provide some early feedback on the revised FRAC MOO proposal (Revised Proposal). We appreciate all of your hard work in developing the FRAC MOO thus far and understand that the prior FRAC MOO proposal, with multiple must offer obligations for different resources, presented a number of challenges. However, we are concerned that as described during the workshop on Dec 13th, the Revised Proposal would discourage VERs from providing flexibility. At the same time, it remains unclear how the capabilities of VERs are being properly accounted for in the development of the flexibility requirements. As the grid shifts to greater penetration of renewables and sees VERs providing large portions of the power during certain times of the day, LSA cautions against designing a FRAC MOO that discourages VERs from participating in addressing flexibility needs.

Some of LSA's initial concerns with the Revised Proposal are that the seasonal requirement in buckets 3 and 4 may not align with the production hours of VERs, the structure does not account for the issue of resource availability and that the percentages allocated to buckets 3 & 4 are small. In order to further understand the potential implications of the Revised Proposal, we'd appreciate further information about the anticipated seasonal requirements and the basis for the bucket percentages. Based on the information shared to date, LSA's recommendation is that CAISO facilitate the participation of Flexible VERs (and other preferred resources) by allowing resources to aggregate and bid in together to meet the proposed bucket requirements. If this is coupled with an availability incentive mechanism that accounts for the issue of renewable resource availability, the Revised Proposal may be workable for Flexible VERs.

We'd also appreciate further explanation of the need for a 24-hour obligation and further details about the replacement requirement. In particular, what use limitations result in a replacement requirement (or do not in case of bucket 4) and are these scenarios differentiated from non-availability due to lack of fuel?

Thanks again for the opportunity to provide this feedback. Please let me know if you have any questions.

Happy Holidays,

Rachel

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