



## LSA's Comments on Flexible Resource Adequacy Criteria and Must-Offer Obligation Fourth Revised Straw Proposal, Posted November 7, 2013

Submitted by	Company	Date Submitted
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1. The ISO has outlined a methodology to allocate flexible capacity requirements to LRAs. As detailed in the fourth revised straw proposal<sup>1</sup> and at the 11/13 stakeholder meeting PG&E has put forward an alternative allocation methodology. Please provide comments for each of these proposals, particularly as they relate to cost causation. If your organization has a preference for one over the other, please state your preference and why.

The Large-scale Solar Association (LSA) has significant concerns with PG&E's alternative cost allocation methodology. Specifically, LSA is concerned with the suggestion that the allocation be used to directly attribute the costs of flexibility to individual generators in the case of merchant generator /non-CAISO loads or directly to scheduling coordinators. LSA can understand PG&E's interest in not wanting to carry costs associated with merchant generation/or non-CAISO loads but does not support this approach as it effectively is proposing a generator specific allocation across the board. As LSA has explained previously, this approach negates the fact that the flexibility requirements are based on multiple factors beyond the control of an individual generator, including the aggregate portfolio decisions made by individual load serving entities (LSEs), the state's renewable policy mandates and would be inconsistent with the allocation of other RA obligations. Furthermore, an individual generator is poorly positioned to assess and manage these still unknown costs and risks and doing so will likely be more costly than assigning these costs to the LSE (or in the case of CAISO's proposal to the Local Regulatory Authority), who can manage and balance those costs across a large portfolio.

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<sup>1</sup> PG&E's specific proposal can be found at [http://www.caiso.com/Documents/PG\\_E-Comments-FlexibleResourceAdequacyCriteriaMustOfferObligation-ThirdRevisedStrawProposal.pdf](http://www.caiso.com/Documents/PG_E-Comments-FlexibleResourceAdequacyCriteriaMustOfferObligation-ThirdRevisedStrawProposal.pdf).



The logical and best place to address flexibility costs at the individual generator level is not in the FRAC and MOO but in the procurement process at the CPUC where LSA and others (including PG&E) have been advocating for the development of an integration adder. PG&E's proposal combined with the lack of an integration adder at the CPUC should not signal to the CAISO that it is advisable to allocate these costs directly to individual generators. Doing so is inefficient, very likely not cost effective and sets up the potential for a double hit for those generators once the CPUC establishes an integration adder.

Separately, LSA continues to have concerns that neither CAISO's proposed allocation methodology nor the proposed calculation of the flexibility requirement account for the ability of some variable energy resources to reduce flexibility needs (via existing economic curtailment provisions). LSA's recommendation about how the CAISO should properly account for these provisions is forthcoming.

2. The ISO believes that demand response resources should have the opportunity to provide flexible capacity. The ISO has proposed how demand response resources could do so. Please provide comments on the ISO's proposal. Specifically, please identify concerns with the ISO's proposal and offer potential solutions to these concerns. Additionally, please comment on the proper forum (ISO, CPUC, etc.) where these concerns should be addressed.

No comment at this time.

3. Please provide comments and recommendations (including requested clarifications) regarding the ISO's proposed must-offer obligations for the following resources types:
  - a. Dispatchable gas-fired use-limited resources. No comment at this time.
    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.
  - b. Specialized must-offer obligations:



1. Demand response resources – [No comment at this time.](#)
2. Storage resources – [No comment at this time.](#)
3. Variable energy resources - [No comment at this time.](#)
4. At the 11/13 stakeholder meeting there a significant amount of discussion regarding the appropriate method for setting the price for the proposed flexible capacity availability incentive mechanism. Please provide comments about how this issue might be resolved.  
  
[No comment at this time.](#)
5. The ISO has proposed an SFCP evaluation mechanism/formula that weights compliance with the real-time must offer obligation heavier than the day-ahead must offer obligation. Please comment on:  
  
[No comment at this time.](#)
  - a. The merits of using such a weighting mechanism relative to the “lesser of” proposal from the previous proposal
  - b. The relative weights between the real-time and day-ahead markets
6. There were several clarifying questions asked at the 11/13 stakeholder meeting regarding substitution of flexible capacity that is on forced outage. Please provide comments and / or questions (and potential answers) regarding any additional clarifications the ISO should make in the next revision to clarify this aspect of the proposal.  
  
[No comment at this time.](#)
7. Please provide comments regarding how, or if, the SFCP adder price and the flexible capacity backstop price should be related.  
  
[No comment at this time.](#)



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

LSA has no further comments at this time.