

Stakeholder Comments Template

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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This template is for submission of stakeholder comments on the topics listed below, covered in the Flexible Resource Adequacy Criteria and Must-Offer Obligation fourth revised straw proposal on November 7, 2013, and issues discussed during the stakeholder meeting on November 13, 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 no later than the close of business on November 27, 2013.

1. The ISO has outlined a methodology to allocate flexible capacity requirements to LRAs. As detailed in the fourth revised straw proposal¹ 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.\

NCPA supports CAISO's proposed methodology for allocating Flexible Capacity Requirements as described in Section 5 of the fourth revised straw proposal. The methodology accurately reflects the principles of cost causation with respect to the factors contributing to the need for greater flexibility in the resource mix, and the allocation of responsibility to LSEs in accordance with their contribution to that need. NCPA further supports the CAISO determination regarding satisfaction of the responsibility by load-following MSS entities.

¹ PG&E's specific proposal can be found at http://www.caiso.com/Documents/PG_E-Comments-FlexibleResourceAdequacyCriteriaMustOfferObligation-ThirdRevisedStrawProposal.pdf.

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
 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.

The ISO made a number of changes between the third and fourth iterations of its straw proposal, and some of them were more extensive than would be expected this late in the stakeholder process. One such change was the CAISO's reversal of position on whether use-limited gas-fired resources offering flexible capacity would be required to provide substitute capacity if the CAISO exhausted the resource's use limitations during the relevant period (such as all the allowable starts in a month). The third iteration of the proposal did not contain such a requirement. NCPA believes that a gas-fired use-limited resource should be treated as having fully satisfied its Must-Offer Obligation when one or more of its use-limits have been reached during a defined period of time (based on the type of use-limit reached) for the balance of the defined period in which the resource is subject to a Must-Offer Obligation (e.g., a monthly period or annual period). If gas-fired, use-limited resources are subject to such a requirement, their owners will have some incentive to refrain from offering all of their use-limited resources to the CAISO in order to retain some flexible capacity as insurance in the event that they must provide substitute capacity. The CAISO's new approach could result in fewer gas-fired use-limited resources being made available to CAISO than otherwise. The CAISO should return to its previous position in order to encourage maximum participation of resources with the ability to offer flexible capacity.

However, if CAISO elects to adopt a FRAC-MOO framework including this changed requirement, NCPA requests that CAISO provide more clarity regarding how frequently CAISO will update its calculation of opportunity cost for each constraint a resource has defined. The CAISO states in its fourth revised straw proposal that “more frequent updates are anticipated if the resource’s usage differs appreciably from what was projected in the model run, or if energy or fuel prices deviate appreciably from what was assumed in the original model run.” Since the opportunity cost “adder” will be the main tool a resource may use to properly reflect its use-limitations, the frequency of updates to the opportunity cost adder will be a very important factor in the decisions generator owners make as to whether to make a flexible resource available to the CAISO as flexible capacity. In addition, to ensure that a use-limited resource is not prematurely exposed to replacement requirements, NCPA requests that CAISO further describe what factors would be considered “appreciable differences” that would trigger a recalculation of the opportunity cost.

2. Please provide information on any use-limitations that have not been addressed and how the ISO could account for them.

No comment at this time.

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 was 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:
 - 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

NCPA believes that the economic bids from the day-ahead market and the real-time market should be equally weighted at 50% day-ahead and 50% real-time. The proposed Must-Offer Obligation applies equally to both day-ahead and real-time, therefore a balanced weighting is logical. Also, long start units are not required to bid into the real-time market, so it seems more equitable that economic bids submitted into each market are weighted equally.

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?

No additional comments at this time.