

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the FRACMOO Phase 2 stakeholder initiative Draft Framework Proposal posted on May 1, 2017.

Submit comments to [InitiativeComments@CAISO.com](mailto:InitiativeComments@CAISO.com)

**Comments are due December 13, 2017 by 5:00pm**

The Draft Framework Proposal posted on November 20, 2017 and the presentation discussed during the November 29, 2017 stakeholder web conference may be found on the [FRACMOO](#) webpage.

Please provide your comments on the Draft Framework Proposal topics listed below and any additional comments you wish to provide using this template.

### **Identification of ramping and uncertainty needs**

The ISO has identified two drivers of flexible capacity needs: General Ramping needs and uncertainty. The ISO also demonstrated how these drivers related to operational needs.

#### **Comments:**

[No comments at this time.](#)

### **Quantification of the flexible capacity needs**

The ISO has provided data regarding observed levels of uncertainty, in addition to previous discussion of net load ramps.

**Comments:**

No comments at this time.

**Eligibility criteria and must offer obligations**

The ISO has outlined the need for three different flexible RA products: Day-ahead load shaping, a 15-minute product, and a 5-minute product. Additionally, the ISO has identified a preliminary list of resources characteristics and attributes that could be considered for resource eligibility to provide each product. Additionally, the ISO is considering new counting rules for VERs that are willing to bid into the ISO markets.

**Comments:**

NCPA can understand the appeal of a program that targets the necessary attributes CAISO needs in flexible capacity. However, at least one of the problems CAISO seems to be identifying in the current program is the fact that resources shown as flexible capacity, all of which are subject to must-offer requirements, are infrequently dispatched in the DAM, and are therefore unavailable to meet flexible needs in real-time. (Paper at p.7. referencing OTC resources, but the dispatch problem is generic to many gas-fired resources). Limiting the characteristics of resources eligible to provide flexible capacity may achieve the goal of encouraging less flexible units to retire in an orderly manner, but given the fact that low prices limit the dispatch of more expensive flexible resources in the DAM, how will changing the resource mix solve the CAISO's problem if the units are not dispatched?

NCPA does support the concept of CAISO identifying the attributes it needs as opposed to the redefinition of net load that CAISO was previously considering, provided that CAISO must be careful not to define criteria in such a way as to create an artificial scenario that would strand relatively new and efficient gas generators simply because they are not as fast as a single cycle combustion turbine, regardless of other benefits such as GHG superiority.

**Equitable allocation of flexible capacity needs**

Equitable allocation of flexible capacity needs is a critical element of a new flexible RA framework. The ISO seeks comments on potential allocation methodologies.

**Comments:**

Cost allocation should follow the principles of cost causation. CAISO's existing flexible capacity program exempts the loads/resources in a load-following Metered Subsystem (LF-MSS) portfolio, because the LF-MSS portfolio is designed to provide all the flexibility necessary to balance its loads and resources and to avoid exacerbating flexibility needs on the CAISO grid. NCPA, unlike any other entity in the CAISO, operates as an LF-MSS. NCPA is contractually obligated to balance its integrated portfolio of supply and demand in real-time through the use of Load Following Capacity, to ensure its net portfolio deviations (whether such deviations are

attributed to supply or demand) are contained within a tight deviation band. If NCPA is unable to balance its supply and demand portfolio in real-time, NCPA is assessed significant Load Following Deviation Penalties in accordance with the CAISO Tariff. In order for NCPA to successfully follow its load, it must plan for and reserve or otherwise obtain capacity from its generation resources, or from other sources, that can be dispatched by NCPA in real-time to manage its portfolio balance during every five (5) minute interval. NCPA reserves both Load Following Up Capacity and Load Following Down Capacity to effectively regulate its portfolio in real-time to respond to its net load requirements. NCPA's obligations to regulate its portfolio in real-time apply whether the cause of the movement is attributable to general ramping or uncertainty, the two cost drivers identified by CAISO as driving the need for flexible capacity. Because NCPA already self-manages the uncertainty and variability associated with its portfolio, by using its reserved flexible capacity, NCPA pays up front for its share of necessary flexible capacity and does not contribute to the system-wide flexible capacity need; accordingly, CAISO's collective need is reduced.

Once NCPA reserves Load Following Capacity on its generating facilities or other resources, the reserved capacity is used by NCPA to manage changes in its net load, as required, up to and through real-time. Allocating a flexible capacity procurement obligation to NCPA, or any CAISO flexible capacity backstop procurement costs, is not consistent with cost causation principles.

CAISO's flexible capacity need is reduced by, or does not need to account for, NCPA's net LF-MSS load because NCPA is contractually required to self-manage its net load requirement. This treatment is consistent with how other resource adequacy based requirements account for MSS-LF entities.

### **Other**

Please provide and comments not addressed above, including any comments on process or scope of the FRACMOO2 initiative, here.

### **Comments:**

NCPA is concerned that CAISO will have several stakeholder initiatives related to RA ongoing in the same time frame. These include the current initiative, a related initiative to develop a load-following product, the long promised review of the overall RA program and the recently promised review of the RMR program (as promised in CAISO's answer in the Metcalf RMR docket), which may or may not be the same as the RA review. The CAISO also appeared to suggest that changes to the Ancillary Services markets are contemplated in conjunction with this initiative.

CAISO has also floated concepts in this draft proposal that might have a tremendous impact on the need for changes to the Flexible Capacity paradigm. For example, CAISO states at p.8 that it is considering exploring ways to better ensure that resources follow their Dispatch Operating Targets (DOT). If CAISO were to change DOT for VERS from forecasts to commitments and

impose penalties for significant deviations from DOT, NCPA expects that this might have a significant impact on the need for Flexible RA reforms.

It is difficult for stakeholders to keep track of all the moving pieces, and the changes in one process that may affect another process in unexpected ways. The CAISO should seriously consider whether it makes sense to tinker with a single system or to take the entire car in for an overhaul. At the very least, stakeholders should be able to understand how all the potential changes proposed here will fit into the overall program.