

## Stakeholder Comments

### **Flexible Resource Adequacy Criteria and Must-Offer Obligation Draft Tariff Language, Posted May 19, 2014**

Submitted by	Company	Date Submitted
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The Office of Ratepayer Advocates (ORA) provides the following stakeholder comments on the May 19, 2014 Flexible Resource Adequacy Criteria and Must-Offer Obligation (FRAC-MOO) Draft Tariff Language, and recommends the following changes to the Draft Tariff Language:

1. Revision of the tariff language in Section 40.10.1.2 (b) to change the five-year ahead reporting requirement by the Load Serving Entities (LSEs) to allow for coordination with a potential multi-year Resource Adequacy (RA) framework.
2. Section 40.10.3, which creates flexible capacity categories, should be removed or modified to reflect California Public Utilities Commission (CPUC) RA categories.
3. The language in Section 40.10.4 granting the California Independent System Operator (CAISO) rather than the Local Regulatory Authorities the authority to determine Effective Flexible Capacity (EFC) should be eliminated to maintain the established cooperative roles of the CPUC and CAISO.
4. Section 40.10.5.1 (a) should not alter the historic role of the RA program to provide reliability through a year-ahead program. If it is not feasible to eliminate this section, the tariff should be modified to begin in 2016.

#### **Section 40.10.1.2 (b) Information requirements**

Section 40.10.1.2 (b) requires LSEs to submit flexible capacity information for “each year in the next five-year period.” At the May 9, 2014 Joint Reliability Proposal workshop, CAISO staff stated that adoption of a three-year multi-year RA framework would result in a three-year-forward flexible capacity forecast, and not the current five-year forward study. With consideration of the possible adoption by the CPUC of a multi-year framework later this year, ORA recommends revising the tariff language to state that LSE information must be submitted for subsequent years consistent with requirements developed by the CAISO Flexible Capacity Requirement Study. This modification will allow for coordination with a potential multi-year RA framework without requiring the submission of new tariff language to the Federal Energy Regulatory Commission (FERC) if the requirements for the submission of LSE information is revised.

#### **Section 40.10.3 Flexible Capacity Categories**

Section 40.10.3 retains language creating flexible capacity categories; language that was previously opposed by ORA, the CPUC’s Energy Division (ED), and other parties in earlier comments.<sup>1</sup> The tariff language creating flexible categories would shift traditional CPUC authority for establishing the RA framework for CPUC- jurisdictional LSEs to the CAISO. The CPUC RA proceedings are the appropriate and well-established format for creating the RA framework. Last year’s RA proceeding adopted a definition of flexible capacity in cooperation with the CAISO. Further cooperation continues to take place in RA proceedings to adopt LSE flexible capacity requirements to meet the needs developed in the CAISO Flexible Capacity Requirement Study. The creation of categories for flexible capacity procurement is within the legislative mandate of the CPUC, not the CAISO.<sup>2</sup> As noted by Staff of the CPUC, ensuring functioning RA requirements in the CAISO market is also the responsibility of the Federal Energy Regulatory Commission (FERC) which recognizes a division of roles between the LRAs

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<sup>1</sup> See Stakeholder Comments, Flexible Resource Adequacy Criteria and Must-Offer Obligation Draft Final Proposal, submitted February 21, 2014: ORA, p. 3; Staff of the California Public Utilities Commission, pp. 3-4; Pacific Gas and Electric, p. 3; The Utility Reform Network, pp. 1-2.

<sup>2</sup> See California Public Utilities Code Section 380.



and the CAISO in determining RA requirements.<sup>3</sup> Similar to the process developed at the CPUC with input from the CAISO that created the Maximum Cumulative Capacity (MCC) buckets to address use-limited resources for RA capacity, the CAISO should work with stakeholders through the CPUC RA proceedings to address use-limited and preferred resource participation in a flexible capacity framework. The tariff's creation of flexible capacity categories bypasses the established cooperative efforts of the stakeholders, including the CAISO, in the CPUC RA proceedings for developing protocols for use-limited and preferred resource inclusion. Therefore, ORA continues to oppose the unilateral effort of the CAISO to create categories outside of the CPUC RA proceeding and recommends removal or significant modification of this section in the proposed tariff language.

#### **Section 40.10.4 Effective Flexible Capacity**

The proposed tariff language creates new CAISO roles that impact the CPUC implementation of the RA program. The current roles have been defined in existing CPUC Decisions and the CAISO tariff and Business Practice Manual. This section will eliminate the current role of CPUC to determine qualifying capacity (QC) under the QC Manual adopted by the Commission in Decision (D.)10-06-036. The new EFC is a type of qualifying capacity. Accordingly, the new EFC should not fall outside of the QC calculation methodology procedures described in the QC manual. The CAISO's defined role is a secondary process to assess grid deliverability limitations of the CPUC determined QC amounts. This CAISO process creates an amount of QC available to the grid called the net qualifying capacity (NQC). The proposed tariff language seeks to grant the CAISO authority to calculate qualifying capacity for flexible resources and remove the CPUC from its traditional role. The RA proceeding, with its annual decisions, has been and should remain the appropriate forum for cooperative efforts between the CAISO and the CPUC in determining QC and NQC values for the various resources. ORA, therefore, recommends removal of tariff language granting EFC calculation authority to the CAISO.

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<sup>3</sup> See Comments of the Staff of the CPUC, submitted February 21, 2014, p. 3, fn. 3, citing 116 FERC ¶ 61,274 P. 1117-1119.



**Section 40.10.5.1 (a) LSE Flexible RA Capacity Plans- Submission Requirement**

The proposed tariff language exempting LSEs from submitting annual flexible capacity plans for 2015 is unclear. Without an annual filing for 2015, the monthly LSE filings of flexible capacity procurement would become the basis for meeting flexibility needs for 2015. The lack of an annual filing requirement would drastically alter the year-ahead RA program.

Flexibility requirements should be aligned with the RA program, which is based on annual filings with year-ahead procurement to provide necessary grid reliability. Without an annual filing, the RA flexible capacity requirements would become a month-ahead program for 2015 which is counter to the original basis for the year-ahead RA program. If the CAISO finds that it is not feasible to require an annual filing for 2015 flexible capacity, ORA recommends that, rather than adopting an exemption for 2015 annual requirements, the CAISO RA flexible capacity requirements begin in 2016.