

## Stakeholder Comments

### **Flexible Resource Adequacy Criteria and Must-Offer Obligation**

#### **Workshop Pre-Proposal, Posted December 17, 2013**

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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#### **1. Bucket Framework**

SDG&E supports a bucket framework to identify and define must offer obligations for flexible RA resources. In fact, SDG&E's July 2013 comments on the Revised Straw Proposal proffered a bucket framework proposal that closely mirrors the approach the CAISO presented at the December 13<sup>th</sup> working group session. SDG&E believes the bucket framework is a superior approach because it is premised on accurately defining the CAISO's flexible operational needs, and not on the capabilities of the resources meeting those needs. As such, the bucket approach is technology neutral and non-discriminatory, and provides LSEs significant elasticity to meeting flexible RA requirements. SDG&E looks forward to working with the CAISO and others to further develop the framework over the next few months.

Though supportive, SDG&E has the following concerns/issues with the framework outlined on December 13<sup>th</sup>:

- 24 Hour Economic Bid Requirement for Bucket 1 Resources – This is a significant departure from previous proposals, and presents a significantly expanded obligation for all non-use limited thermal resources. Importantly, it negates the opportunity for these resources to self-schedule across days – an important operational tool to ensure units remain committed and able to be dispatched to meet morning ramps. Though much discussion of this topic occurred at the working group session, the CAISO was unable to articulate a clear, compelling justification for expanding the offer obligation from 17 to 24 hours in the near-term. Absent a compelling reason, SDG&E supports limiting the offer obligation on Bucket 1 resources to 17 hours.

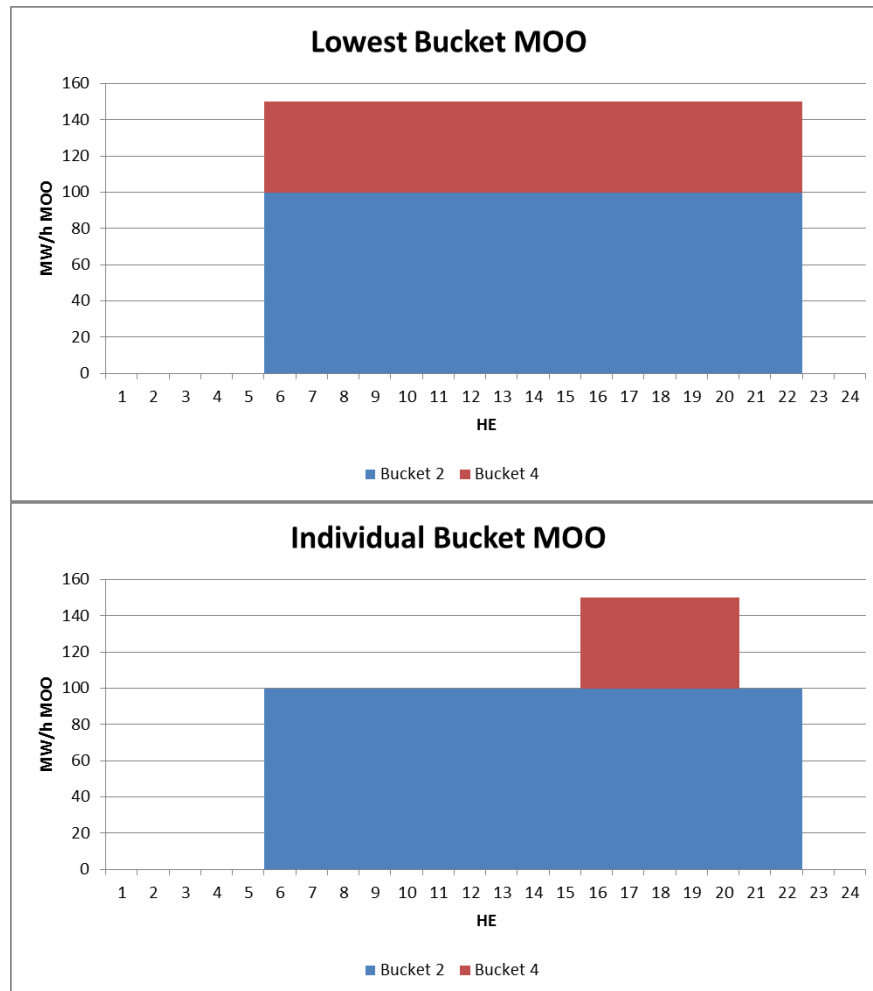
- Replacement Requirement for Flexible Resources—The current proposal envisions a replacement requirement for use-limited resources housed in Buckets 2-3, who are unavailable in a given month or balance of year due to environmental conditions or restrictions. While use-limited resources in Bucket 4 would not have an obligation to replace. This separation creates disparate or non-standard obligations for use-limited resources participating in the RA program. SDG&E believes that the replacement obligation determination should be the same for all RA resources.

Throughout this process, SDG&E has consistently expressed concern about requiring replacement of use-limited resources. SDG&E recommends the ISO clarify its latest proposal on the replacement requirement to explicitly define which party (LSE or generator) must provide replacement. As required by the current ISO Tariff, any planned outages prior to T-45, LSEs must provide replacement if the total system capacity is below the planning reserve margin. Any outages after T-45 are the obligation of the resource owner to provide replacement. SDG&E believes that the ISO intends to continue this practice for the flexible requirement.

SDG&E believes that today replacement requirements for non-use limited resources can be categorized into two types: planned outage with or without replacement, and forced outages with option for unit substitution. Under today's framework, non-UL resources can submit of Forced Outage ticket and be exempt from SCP penalties if a lack of fuel or transmission issues (i.e., constraints outside the resource's independent control) cause the unavailability or outage.

SDG&E suggests a similar framework for use-limited resources. Planned outages with replacement would be handled similar to the current replacement requirement rules after T-45. For a resource that has reached its monthly limitation, or is otherwise prevented from providing flexibility for environmental reasons (i.e., constraints outside the resource's independent control), the resource should submit a Forced Outage ticket for flexibility, and be exempt from non-availability penalties. This is analogous to the current framework for non-use limited resources. If there is a true mechanical Forced Outage that affects both the generic and flexible capacity, then non-availability penalties shall apply. This too is similar to current replacement policy for use-limited resources for the generic MOO. If the forced outage generates an actual need for additional flexibility, the CAISO can rely on its CPM authority to resolve reliability issues.

- Resource qualification - As SDG&E stated during the workshop, resources should pre-register through the master-file with the ISO the flexible bucket which it qualifies to provide capacity. A bucket 2 resource may contract with LSEs as a bucket 2, 3 or 4 resource, and SDG&E expects the resource can migrate between buckets during the year if its cumulative limitations allow.
  - If a resource sold different flavors of flexibility to more than one LSE – for example, 100 MW of Bucket 2 flexibility to LSE A, and 50 MW of Bucket 4 flexibility to LSE B – which of the diagrams best illustrates the MOO for the resource?



On a related note, SDG&E understands that the Generic MOO for Use Limited Resources is part of the 2014 Stakeholder Initiative as a discretionary item.<sup>1</sup> SDG&E would like the ISO to discuss what changes, if any, in the Generic MOO for ULRs the ISO intends to make in the near-term. This will provide stakeholders increased context in which to evaluate the development of FRACMOO for ULRs.

- Bucket percentages - SDG&E believes that more discussion is required to define the percentage limitation for each bucket. One approach may be to look at how much of each bucket (starting with the bucket 4) can be accommodated without increasing the amounts of less restricted bucket needed.

## 2. SFCP Adder Price

SDG&E supports the proposal to defer the implementation of Standardized Flexible Capacity Procurement (SFCP) incentives until the 2016 RA compliance year. As stated in previous comments, there is no data on the value of flexible capacity, and therefore no reasonable proxy for SFCP penalties.

<sup>1</sup> Pg 43, [http://www.caiso.com/Documents/2013StakeholderInitiativesCatalogRevisedNov5\\_2013.pdf](http://www.caiso.com/Documents/2013StakeholderInitiativesCatalogRevisedNov5_2013.pdf)

Any attempt to approximate the value today risks prematurely setting the broader market price for Flex capacity going forward – a concern that is particularly acute since current supply and demand projections for flexible capacity indicate it may be years before prices for flexible and generic capacity begin to meaningfully diverge.

### **3. Implementation**

SDG&E is concerned with implementation of a fully tested system and process before the monthly processes occur for January 2015 with the current time frame of a March Board of Governors and then the Tariff filing process. Given the numerous projects that are slated for Fall 2014, SDG&E believes the ISO and stakeholders do not have sufficient resources to implement a full solution. SDG&E believes the ISO still has sufficient flexibility for 2015 to have another trial year before a system is fully developed for go-live. SDG&E believes that a Spring 2015 release is possible but a Fall 2015 is reasonable.