

Flexible Resource Adequacy Criteria and Must-Offer Obligation December 13, 2013 Working Group Meeting Comments

Submitted by		Company	Date Submitted
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During the December 13, 2013 FRAC-MOO Working Group meeting, CAISO staff requested comments on the topics discussed at the meeting in advance of a fifth revised straw proposal, targeted to be issued in early January 2014. The San Francisco Public Utilities Commission (San Francisco) provides the following comments for CAISO consideration.

Must Offer Obligation “Buckets”

During the Working Group meeting, the CAISO presented a potential alternative method to the currently proposed operationally-based Must Offer Obligation (MOO). The alternative method would create a number of MOO “buckets” that are tied to the CAISO’s characterization of the different system 3-hour ramping needs. Each bucket would represent a different MOO requirement and a load serving entity (LSE) would have to show in its resource adequacy reports that it has sufficient resources to cover its flexible capacity obligation, subject to the resource MOO bucket minimums and maximums. For example, as the CAISO presented,

- Bucket 1: a 24-hour offer obligation with no use-limitations (ULRs); *minimum* of 50% of an LSE’s resource adequacy showing must include Bucket 1 resources¹
- Bucket 2: a 17-hour offer obligation, at least two starts and minimum of 6 hours of run time with replacement capacity required for ULRs; *maximum* of 50% of an LSE’s resource adequacy showing
- Bucket 3: a 5-hour seasonally determined offer obligation, at least one start per day and a minimum of 3 hours of run time with replacement required for ULRs; *maximum* of 20% of an LSE’s showing
- Bucket 4: a 5-hour seasonally determined offer obligation, at least one start per day, minimum of 3 hours of run time and available for at least 5 flexibility based

¹ CAISO noted that the actual percentages are still under development

dispatches per month with no ULR replacement requirement; *maximum* of 5% of an LSE's showing

San Francisco believes that a Bucket approach could be viable, with the following changes.

- First, unless it can show that there is a need for a 24-hour requirement, the Bucket 1 offer obligation should only apply to the 17-hour window the CAISO has used as the basis for the FRAC-MOO to date. To this point in the stakeholder process, the CAISO has not identified that it requires a 24-hour flexible capacity offer obligation. If the CAISO now believes the offer obligation needs to be extended, it should provide additional analysis to stakeholders.
- Second, resources with use limitations should not be restricted from satisfying the Bucket 1 criteria. Many use-limited resources, including use-limited hydro, could be available to meet the minimum daily 3-hour net load ramp each month. The CAISO has not demonstrated why such resources should be excluded.
- Third, in Buckets where the CAISO contemplates replacement would be required for ULRs, the CAISO should clarify that if a resource has met the daily start and/or run-time minimums for a given day, no replacement would be required for that day. Replacement would only be required if a ULR were not able to meet the offer minimums for subsequent days.
- Fourth, the 50% minimum for Bucket 1 seems too high. San Francisco acknowledges that these percentages were only preliminary, but more analysis and discussion is needed to identify the appropriate minimum or maximum levels required for each of the MOO buckets.
- Finally, the CAISO should clarify whether individual resources could designate a portion of their capacity to satisfy the MOO for different buckets, and that the MOO applicable for each of the buckets would apply only to the portion of the resource that is being claimed for each bucket (for example, a 100 MW hydro resource might be able to provide 50 MW of Bucket 1, 25 MW of Bucket 2, 20 MW of Bucket 3 and 5 MW of Bucket 4, if the respective MOOs applied for each bucket; but the same resource could only provide 50 MW of Bucket 1 if the Bucket 1 MOO applied across all of its capacity).

Allocation of Flexible Resource Adequacy Capacity to Local Regulatory Authorities

The CAISO is seeking input on whether adopting a bucket approach for the must offer obligation requires a change to the currently proposed method for allocating the flexible capacity requirement to Local Regulatory Authorities (LRAs). San Francisco believes that CAISO adoption of a bucket approach should not change the underlying flexible

capacity needs determination or the drivers of system flexible capacity that have served as the basis for the CAISO's current proposed allocation approach. San Francisco recommends that unless the CAISO can show that the underlying drivers of the proposed flexible capacity requirement have changed, the allocation of flexible capacity to LRAs should continue to be based on the method proposed in the fourth revised straw proposal, which is based principally on each LSE's contribution to the maximum 3-hour net load ramp (broken out based on each LSE's contribution to the load, wind and solar drivers of the net load ramp).