Stakeholder Comments Template

Flexible Resource Adequacy Criteria and Must-Offer Obligation Third Revised Straw Proposal, Posted October 3, 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 third revised straw proposal on October 3, 2013, and issues discussed during the stakeholder meeting on October 9, 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 fcp@caiso.com no later than the close of business on October 16, 2013.

1. The ISO has outlined a methodology to allocate flexible capacity requirements to LRAs. It is based on one possible measurement of the proportion of the system flexible capacity requirement to each LRA and calculated as the cumulative contribution of the LRA's jurisdictional LSE's contribution to the ISO's largest 3-hour net load ramp each month. Please provide comments regarding the equity and efficiency of the ISO proposed allocation. Specifically, please comment on:

    a. The ISO's proposal to use an LSEs average contribution to historic daily ISO maximum 3-hour load changes to allocate the Δ load component of the flexible capacity requirement.

    b. The potential of using historic average daily maximum 3-hour net-load ramps or time of day system maximum 3-hour load ramps (morning vs. evening ramps).

    c. What other measurement or allocation factor should the ISO consider to determine an LRA's contribution to the change in load component of the flexible capacity requirement?

d. Should the ISO consider seasonal allocations for each component? What would these seasonal allocations look like?

Shell Energy Comments: Shell Energy believes that portfolio deviation should be the basis of the cost allocation, and that a more cost efficient mechanism for the ISO to procure flexible capacity resources is through a daily reserve product, and not a flexible capacity RA mandate, which will ultimately overprocure flexible capacity and result in higher costs to California consumers. A daily procured product will allow intermittent resources to guage when to change their scheduling procedures to reflect availability (or scarcity) of flexible capacity resources.

2. The ISO believes the proposed methodology reflects causation principles. Specific to allocating flexible capacity requirements, what does "causation" mean to your organization and how would this definition be most accurately reflected in a flexible capacity requirements allocation process?

3. What are the appropriate bounds for the maximum and minimum for the error term as well as how to address year-to-year variability? What are the appropriate actions if such bounds are reached?

4. The ISO has proposed must-offer obligations for various types of resources. Please provide comments and recommendations regarding the ISO's proposed must-offer obligations for the following resources types:

   a. Resources not identified as use-limited

   b. 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.

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

   c. Hydro Resources

d. Specialized must-offer obligations (please also include any recommended changes for the duration or timing of the proposed must-offer obligation):

1. Demand response resources.

2. Storage resources.

3. Variable energy resources.

Shell Energy Comments: We encourage the ISO to re-think its proposal regarding use limited gas fired peakers, and to allow the SC to manage the output capability of the unit during the calendar year. Managing the energy output becomes a complex issue, and it is unlikely that the ISO has the capacity to spend the quantity of time and effort to manage these resources. The concept of an ISO calculated opportunity cost will be difficult to establish, difficult to weigh across the timeframe in which the unit can operate and difficult to weigh against market conditions. We encourage the ISO to re-think their proposal and to allow SC's to manage the use limitation aspect of the generation unit.

5. The ISO has proposed a flexible capacity availability incentive mechanism Please provide comments of the following aspects of this mechanism:

   a. The selection of the adder method as the preferred option

      1. Should the ISO still consider the bucket method, the "worse-of" method, or some other method not already considered? Why?

   b. The price for the flexibility adder. Specifically, if the ISO proposed price is not correct, what price or data source should the ISO consider and why?

   c. The interaction between the existing SCP and the proposed SFCP

   d. The proposed SFCP evaluation mechanism/formula

      1. The formula used to calculate compliance (including the treatment of long-start and use-limited resources)

      2. The treatment of forced and planned outages

3. The minimum availability thresholds for use-limited resources

e. The proposed substation rules for forced outages

f. Please also include comments regarding issues the ISO must consider as part of the evaluation mechanism that are not discussed in this proposal.

6. The ISO has proposed to include a backstop procurement provision that would allow the ISO to procure flexible capacity resources to cure deficiencies in LSE SC flexible capacity showings. Please provide comments regarding the following issues of ISO's proposed flexible capacity backstop procurement proposal:

   a. The inclusion of the adder methodology

   b. The opportunity for LSEs to provide a list of uncommitted flexible capacity that can be used to help cure flexible capacity deficiencies

7. Are there any additional comments your organization wishes to make at this time?