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.

    SVP supports this aspect of the CAISO's proposal.

    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).

    No comment.

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?

No comment.

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

No comment.

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?

The CAISO's preferred methodology reasonably reflects cost-causation principles.

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?

Like NCPA, SVP supports the current proposal to have a default error factor of "0" for the 2014 year, and also suggests that the error factor should be revisited with stakeholder input if deemed necessary once sufficient experience has been gained.

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:

No comment at this time.

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.

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

      No comment at this time.

      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?

      No comment at this time.

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

      No comment at this time.

   d. The proposed SFCP evaluation mechanism/formula

      No comment at this time.

      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 substitution rules for forced outages

The last two sentences of Section 8.4 state that flex capacity substitution need not come from the same resource that provides substitute generic capacity, but local resources on forced outage will require another local resource to be used for substitution. Parties should be allowed to substitute a non-local flexible capacity resource to meet the portion of the flexible capacity requirement being met by the local resource, and to separately substitute another local resource, that may or may not have available Effective Flexible Capacity, to meet the generic capacity requirement. For both the substituted flexible capacity resource and the substituted generic capacity resource, the current "same electrical bus" substitution requirement for forced outages therefore should not apply to substitution for a flex capacity resource on a forced outage.

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

No comment at this time.

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

No comment at this time.

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

No comment at this time.

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

Like NCPA, SVP appreciates the CAISO's recognition, as described in Section 5 of the proposal, that a load-following MSS is contractually obligated to manage the variability and uncertainty of load and resources within its SC portfolio.

Additionally, SVP has the following two questions regarding the CAISO's proposal:

Q1: Regarding Section 5.1.2, and the examples of allocating the maximum 3-hour net load ramp, will the CAISO provide the LRA with each of the four "bucket" amounts in addition to the total contribution amount? SVP strongly supports providing the LRA/LSE with the additional "bucket" detail as to how the total amount is broken out (or determined).

Q2: Regarding the CAISO's discussion of the "bundling" of flex capacity and system/general capacity in the second paragraph of Section 6, this topic was briefly discussed during the October 9th stakeholder meeting, and SVP is still unsure of the resulting details. It appears that a counting or selling of 1 MW of flex capacity will include 1 MW of the resource's NQC for system and, if applicable, local capacity. However, it appears that an owner of a flex resource can claim or sell 1 MW of system capacity without having any MWs of flex capacity tied to that claim or sale. Is this indeed the case?

Perhaps the following example would be helpful: A resource has 100 MW of NQC and 100 MW of EFC. It sells 50 MW of EFC to a second party (50 MW of system NQC goes with the 50 MW of EFC). It also can sell (or self-claim) 50 MW of system RA (without EFC) to a third party. Thus, only 50 MW of the resource's EFC is utilized, and only 50 MW of the resource's EFC is subject to the SFCP must-offer obligation and availability incentive mechanism – yet 100 MW of System RA has been sold (or claimed) by this resource. Is this scenario allowed under the proposal?