

## Stakeholder Comments Template

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

#### **Fourth Revised Straw Proposal, Posted November 7, 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 fourth revised straw proposal on November 7, 2013, and issues discussed during the stakeholder meeting on November 13, 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.

The City of Santa Clara, doing business as Silicon Valley Power ("SVP"), appreciates the opportunity to submit comments in response to the California Independent System Operator ("CAISO") Flexible Resource Adequacy Criteria and Must-Offer Obligation Fourth Revised Straw Proposal. SVP, which operates in the CAISO as a Load Following Metered Subsystem, supports and adopts the comments submitted today by Northern California Power Agency ("NCPA") and by the Bay Area Municipal Transmission Group ("BAMx") in response to CAISO's revised straw proposal. SVP provides additional comments below.

Please submit comments (in MS Word) to [fcp@caiso.com](mailto:fcp@caiso.com) no later than the close of business on November 27, 2013.

1. The ISO has outlined a methodology to allocate flexible capacity requirements to LRAs. As detailed in the fourth revised straw proposal<sup>1</sup> and at the 11/13 stakeholder meeting PG&E has put forward an alternative allocation methodology. Please provide comments for each of these proposals, particularly as they relate to cost causation. If your organization has a preference for one over the other, please state your preference and why.

SVP supports the CAISO's methodology to allocate flexible capacity requirements to Local Regulatory Authorities. SVP recognizes the CAISO's efforts to reach out to various stakeholders to find consensus on this issue and appreciates the hard work the CAISO has done in reaching a satisfactory compromise.

Although some elements of PG&E's alternative allocation methodology may have merit, SVP has not had the opportunity to fully analyze the implications of this proposal. As CAISO has indicated, the allocation based on non-coincident ramp may inappropriately allocate requirements to load serving entities whose ramping is beneficial to the CAISO markets. If so, that allocation would be inconsistent with cost causation.

Because PG&E's proposal has been introduced at a late stage in the proceeding, SVP encourages the CAISO to move forward with the CAISO's proposed methodology.

2. The ISO believes that demand response resources should have the opportunity to provide flexible capacity. The ISO has proposed how demand response resources could do so. Please provide comments on the ISO's proposal. Specifically, please identify concerns with the ISO's proposal and offer potential solutions to these concerns. Additionally, please comment on the proper forum (ISO, CPUC, etc.) where these concerns should be addressed.
3. Please provide comments and recommendations (including requested clarifications) regarding the ISO's proposed must-offer obligations for the following resources types:

- a. Dispatchable gas-fired use-limited resources

SVP is concerned with the CAISO's proposal that an entity with use-limited resources would be subject to penalties or replacement obligations if the must-offer results in the resource's use limitations being exceeded. This element of the proposal could have unintended consequences by discouraging entities from making flexible capacity available because they might need the resource as a replacement.

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.

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<sup>1</sup> PG&E's specific proposal can be found at [http://www.caiso.com/Documents/PG\\_E-Comments-FlexibleResourceAdequacyCriteriaMustOfferObligation-ThirdRevisedStrawProposal.pdf](http://www.caiso.com/Documents/PG_E-Comments-FlexibleResourceAdequacyCriteriaMustOfferObligation-ThirdRevisedStrawProposal.pdf).

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

b. Specialized must-offer obligations:

1. Demand response resources
2. Storage resources
3. Variable energy resources

4. At the 11/13 stakeholder meeting there was a significant amount of discussion regarding the appropriate method for setting the price for the proposed flexible capacity availability incentive mechanism. Please provide comments about how this issue might be resolved.

It is not readily apparent that the proposed price for the flexible capacity availability incentive mechanism is appropriate or reasonable. SVP believes further vetting is necessary and encourages the CAISO to develop a working group on this issue to establish a just and reasonable price for this mechanism.

5. The ISO has proposed an SFCP evaluation mechanism/formula that weights compliance with the real-time must offer obligation heavier than the day-ahead must offer obligation. Please comment on:
  - a. The merits of using such a weighting mechanism relative to the “lesser of” proposal from the previous proposal
  - b. The relative weights between the real-time and day-ahead markets
6. There were several clarifying questions asked at the 11/13 stakeholder meeting regarding substitution of flexible capacity that is on forced outage. Please provide comments and / or questions (and potential answers) regarding any additional clarifications the ISO should make in the next revision to clarify this aspect of the proposal.
7. Please provide comments regarding how, or if, the SFCP adder price and the flexible capacity backstop price should be related.
8. Are there any additional comments your organization wishes to make at this time?