Valley Electric Cooperative Comments on Flexible Resource Adequacy Criteria and Must-Offer Obligation Phase Two Draft Flexible Capacity Framework Proposal

Ellen Wolfe, Resero Consulting for VEA, ewolfe@resero.com

December 13, 2017

VEA appreciates the opportunity to provide these comments on the ISO's FRAC MOO Phase 2 Draft Flexible Capacity Framework Proposal and November 29, 2017 Meeting.

VEA is a small LSE that has a 2017 planned peak load of approximately 125 MWs. As iterated in our previous comments, we strongly urge the ISO to ensure the framework and any resulting RA program works for small LSEs as well as large LSEs. There are two facets to the current framework design that, unless smaller LSEs are taken into consideration when designed, could continue to impose significant costs on VEA.

First, VEA appreciates the ISO's willingness to consider flexible capacity from imports as part of the framework. However, it is unclear at this time what the full scope of eligibility requirement(s) will be when determining which imports will qualify to provide flexible RA. The only requirement thus far is that imports need to be resource specific, but lacks any details on how the ISO will determine what is considered "resource specific." VEA asks the ISO to provide further details regarding what and how imports would qualify to provide flexible RA.

Second, the ISO has asked for stakeholder input regarding allocation of requirements to LSEs. VEA has previously opined on the impact changes to the Flexible RA program has on smaller LSEs, changes which may not necessarily be similarly affect larger LSEs. A requirement imposed on a larger LSE may not be binding given their portfolio of resources. Yet such requirements may be binding for smaller LSEs and may ultimately result in a cost shifting effect. Changes to the flexible RA program and requirements allocated to VEA have a direct impact on VEA's procurement practices. Unlike larger LSEs that may have a portfolio large enough to handle changes to the flexible RA program without significantly incurring additional cost, VEA typically must go into the market and directly procure products when the CAISO changes the flexible RA requirement. VEA has had to procure 100% of its flexible RA needs at average costs well above $2/kw-month. This flexible RA cost has created a substantive impact on VEA's costs to serve its customers.

To the extent that the ISO needs capacity to maintain reliability, it is fair for small LSEs to do their part. But unlike large LSEs, VEA cannot quickly adjust the resources in its portfolio and usually has very small amounts of incremental uncontracted system needs in the near-term. Any changes to RA or flexible requirements that are not signaled far in advance will be a shock to small LSEs' RA costs. When redesigning the allocation of requirements, VEA urges the ISO to consider potential cost shifts adversely affecting smaller LSEs.

Thank you for considering our comments.