

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 fcg@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.

[Wellhead supports this method.](#)

- 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).

[Wellhead supports this method.](#)

- 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?

Wellhead believes the latest CAISO proposal has captured the appropriate causation for this implementation phase.

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?

No comment

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:

Wellhead believes that it is more appropriate for the CAISO to create technology agnostic tiers. The proposed structure does not incentivize new technologies to provide greater range, nor does it account for outliers that currently exist within the identified technology buckets that can already provide greater service. A technology agnostic tiered structure will allow new technologies to participate, while incentivizing participants to provide a greater range of flexibility. A tiered approach is a maintainable structure that will allow new technologies to enter the market without creating yet another specialized bucket. Wellhead proposes the following tiers as an example:

- I. 10 hours/day – Flex or Regulation
- II. 6 hours/day – Flex (morning and evening)
- III. 3 hours/day - Flex
 - a) Morning only
 - b) Evening only

b. Resources not identified as use-limited

Any resource, regardless of its fuel source, should be allowed to make use of the opportunity cost methodology for any non-economic limitations.

c. Dispatchable gas-fired use-limited resources

- I. 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.

Wellhead supports this methodology; however, the CAISO must have a process in place that will allow SCs to challenge and/or recalculate the opportunity cost if the calculated value is failing to appropriately control the usage of the facility.

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

As proposed, daily and monthly limitations should be easily controllable; however, the CASIO needs to actively monitor and be open to tuning the system to ensure that annual limitations are manageable.

d. Hydro Resources – covered under the tiered approach

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

- I. Demand response resources. – covered under the tiered approach

- II. Storage resources – covered under the tiered approach

- III. Variable energy resources– covered under the tiered approach

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

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

No, the adder methodology most accurately aligns the incentive with the MOO.

- 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?

While the \$23.25 seems a reasonable proxy, this proposed price for the flexibility adder is based upon an untested assumption that the 85th percentile is receiving a higher RA payment because of their flexible attributes. It is just as likely that the higher payments are due to other attributes that the market currently values. Wellhead believes the actual value should be contained within a subset of the flexi-ramp constraint data, plus the risk that will accompany the final MOO. Since it is not possible to align these two values until FRA is actually being purchased/delivered, Wellhead will support an initial value of \$23.25.

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

The adder methodology appropriately governs the interactions between SCP and SFCP

- d. The proposed SFCP evaluation mechanism/formula

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

Wellhead supports this method.

- II. The treatment of forced and planned outages

Wellhead supports this method.

- III. The minimum availability thresholds for use-limited resources

Wellhead supports this method.

- e. The proposed substation rules for forced outages

Wellhead supports the proposed substitution rules..

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

None

- 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

Wellhead supports this inclusion.

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

Wellhead supports this opportunity.

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

Wellhead encourages the ISO to continue to assess the need for provisions that would limit the amount of baseload and/or PMin as part of capacity showings by publishing a soft target.