

Stakeholder Comments Template

**Flexible Resource Adequacy Criteria and Must-Offer Obligation  
Revised Straw Proposal, June 13, 2013**

Submitted by	Company	Date Submitted
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*Wellhead appreciates the CAISO efforts to ensure appropriate market-based mechanisms are established to provide the flexible capacity necessary to ensure grid reliability. It is our belief that this proposal (with minor tuning as specified below) provides an adequate initial process with the one major exception being that the procurement process should set a target for the cumulative Pmin of no more than the minimum net load plus the ε factor less the must take generation. Limiting the amount of Pmin procured from the Flexible RA portfolio will ensure that the renewable penetration is not impeded and that Flexible RA is not over-procured.*

*Wellhead does not believe that it is necessary to enforce a Pmin limit after the annual showing.*

1. The ISO has outlined the a methodology to allocate flexible capacity requirements to LSE SC based one possible measurement of the proportion of the system flexible capacity requirement to each LSE SC based on its contribution to the ISO's largest 3 hour net-load ramp change each month. Please provide comment regarding the equity and efficiency of the ISO proposed allocation. Please provide specific allocation formulas when possible. The ISO will give greater consideration to specific allocation proposals than conceptual/theoretical ones. Also please provide information regarding any data the ISO would need to collect to utilize a proposed allocation methodology. Specifically,
  - a. Has the ISO identified the core components for allocation? Are more needed? If so, what additional components should be considered and how should ISO consider them? Are fewer needed? If so, what should the ISO include? *No comment*
  - b. Has the ISO used the right allocation factors for the identified components (i.e. load ratio share, percent of total capacity contracted)? If additional or fewer components should be considered as identified in 1a, above, please provide specific allocations factors for these components. *No comment*

- c. Does your organization have any additional comments or recommendations regarding the allocation of flexible capacity requirements? *No comment*
  
2. The ISO believes that there are either tools in place or under development to manage a resource's use-limitations while still be subject to economic bid must offer obligation. The ISO, consistent with the CPUC's RA proposed decision, will require hydro resources to be able to provide a minimum of 6 hours of energy at Pmax to be eligible to provide flexible capacity. However, some resources, including demand response and storage resources may have use limitations that may do not fit well within these mechanisms.
  - a. Please provide comments regarding what use-limitations are currently managed by existing or proposed ISO tools and what must-offer obligation should apply to these resources.
  
  - b. Should the ISO consider other minimum energy or run time limits for other types of use limited resources to be eligible to provide flexible capacity? If so, what should these limits be? Why?  
*Wellhead does not believe that the CAISO should consider any other minimum energy or run time limits for use limited resources to be eligible to provide flexible capacity.*
  
3. The ISO is assessing how bid validation rules could work for flexible capacity resources that are subject to an economic bid must offer obligation. The ISO provided two examples of bid validation rules and potential interpretations. Please provide comments regarding how the ISO should address each of these examples and any others that may need to be considered.  
*Example 1: Wellhead believes it is appropriate to reject both the self-schedule and the economic bid because neither complies with the flexible capacity availability requirements.*  
*Example 2: Wellhead believes it is appropriate to reject the economic bid only because it does not comply with the flexible capacity availability requirements; however, the self-schedule is valid.*  
  
*Bid validation rules will need to accommodate self-schedules for regulatory required testing of generating units.*
  
4. The ISO currently has a tool in place that allows for a resource to include the opportunity costs associated with run-limitations into the default energy bid. The ISO is considering a similar mechanism to allow resources with annual or monthly start limitations to include the opportunity costs of start-up in the resource's start-up and minimum load costs. Please provide comments on how the ISO should consider the opportunity costs for start limitations and how that opportunity cost should be calculated.  
*Wellhead believes that a properly designed opportunity cost mechanism is the appropriate way to handle this very important issue. During the June 19, 2013 stakeholder meeting, the CAISO mentioned that it had some examples that it had developed to handle the opportunity costs*

*associated with limited starts. Wellhead requests that the CAISO supply these examples to participants for further review and discussion.*

5. The ISO is proposing that all flexible capacity resources should be required to submit economic bids between 5:00 am and 10:00 pm. Please provide comments regarding this proposed must-offer obligation. Please connect to the response to this question to any responses to questions **Error! Reference source not found.** or 5 as appropriate.

*Wellhead supports this proposal at this time, but would ask one clarifying question: If a unit is eligible to provide flexible capacity but is currently grandfathered from standard capacity incentives/penalties, would that same unit be grandfathered from incentives/penalties under the flex RA program, or does the decision to provide flex RA carry a mandatory obligation to also participate in the incentive/penalty program? This is a very important question as it relates to 3<sup>rd</sup> party contracts and the rights to obligate a unit to provide flexible capacity.*

6. The ISO has proposed to include 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 ISO's flexible capacity backstop procurement proposal.

*Wellhead supports the CAISO's proposed backstop procurement provision, but does not believe that the current CPM for standard capacity is the correct compensation.*

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

*Wellhead appreciates that this straw proposal is just a first step and that further adjustments will be made to increase the granularity of the product; however, we firmly believe that without some target (even a soft target to start) for the cumulative Pmin, the CAISO will not be sending the appropriate signals to market participants.*