

Stakeholder Comments Template

**Flexible Resource Adequacy Criteria and Must-Offer Obligation  
December 13, 2013 Working Group Meeting Comments**

Submitted by	Company	Date Submitted
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During the December 13, 2013 FRAC-MOO Working Group meeting, CAISO staff requested comments on the topics discussed at the meeting in advance of a fifth revised straw proposal. BAMx therefore submits the following comments.

Must Offer Obligation

The CAISO is considering using a Bucket approach, instead of technology-specific, Must Offer Obligations. BAMx believes that a Bucket approach could be viable, with the following changes.

First, the Bucket 1 offer obligation should apply only for the 17 hour window described in previous proposals. To this point in the stakeholder process, the CAISO has not sought an expanded flexible capacity offer obligation covering the additional hours. The existing system RA (and non-RA) resources have been viewed as being sufficient to meet the CAISO’s flexibility needs during the other hours. If the CAISO now believes the offer obligation needs to be extended, it needs to provide additional justification. Given that the only intermittent resources that would have an impact on the net load during the proposed additional hours are wind resources, the allocation of the flexibility needs to LRAs would need to be reevaluated to ensure that the allocation reflects causation if the offer obligation hours are extended.

Second, Bucket 1 should not be restricted to resources with no use limitations. Many use-limited resources (ULRs) could be available to meet the minimum daily 3-hour net load ramp each month, including use-limited hydro. It does not seem appropriate to exclude such resources from Bucket 1.

Third, in Buckets where the CAISO contemplates replacement would be required for ULRs, the CAISO should clarify that if a resource has met the daily start and/or run-time minimums for a given day, no replacement would be required for that day. Replacement

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<sup>1</sup> BAMx comprises the City of Palo Alto Utilities, the City of Santa Clara/Silicon Valley Power, and Alameda Municipal Power.

would only be required if a ULR were not able to meet the offer minimums for subsequent days.

Fourth, the 50% minimum for Bucket 1 seems too high. More analysis and discussion is needed to identify the appropriate minimum or maximum level for each of the buckets.

Finally, BAMx seeks clarification that individual resources could qualify for multiple Buckets, and that the must offer obligation applicable for each of the qualified Buckets would apply to the portion of the resource that is being claimed for each Bucket. Put another way, if a Bucket 1 resource is being used to satisfy a Bucket 1 and Bucket 2 need, the Bucket 2 must offer obligation should apply to the Bucket 2 portion and the Bucket 1 must offer obligation should apply to the Bucket 1 portion. It would be unreasonable to apply the greater must offer obligation to some resources in a given Bucket, while not applying it to other resources in the same Bucket. We believe that some resources, such as hydro resources, could be operated in a manner that allows them to provide flexible capacity meeting all four Buckets, and that they would be able to provide more flexible capacity if the respective offer obligation of each Bucket were applicable, rather than the most expansive offer obligation. For example, a 100 MW hydro resource might be able to provide 50 MW of Bucket 1, 25 MW of Bucket 2, 20 MW of Bucket 3 and 5 MW of Bucket 4, if the respective offer obligations applied for each Bucket. But it might only be able to provide 50 MW if the Bucket 1 offer obligation applied to it for all Buckets.

#### Allocation of flexible capacity resource requirements to Local Regulatory Authorities

The CAISO is seeking input on whether changing to the Bucket approach for determining flexibility needs should change the allocation of the needs to LRAs. BAMx believes that the Bucket approach should not change the underlying needs determination and therefore should not change the previous allocation approach to LRAs (assuming the CAISO does not propose to expand the offer obligation from 17 hours to 24 hours). That is, the allocation should continue be to LRAs as proposed in the fourth revised straw proposal, based on wind and solar share and load share of ramping needs.

#### Standard flexible capacity product accounting and pricing

CAISO raised the possibility of deferring the SFCP penalties until 2016 (instead of 2015). This would provide more time to develop pricing approaches for the SFCP, including incorporating information from the Flexible Ramping Product initiative and the Reliability Services Auction initiative. BAMx believes that the available fleet of flexible resources should be sufficient to meet the CAISO flexibility needs at least until 2016, and that if CAISO Day-Ahead and Real-time market prices are not sufficient to entice resource owners to submit economic bids from flexible resources, that would imply fundamental flaws in the CAISO markets that would not be remedied by SFCP penalties.