

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.

Please submit comments (in MS Word) to 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 proposal² 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.

BAMx appreciates the CAISO's efforts to reach out to stakeholders to develop a flexible capacity allocation methodology that reflects causation. BAMx supports the CAISO's methodology to allocate flexible capacity requirements to LRAs as described in the fourth revised straw proposal. Allocation of the load component based on each LSE's average contribution to the five-largest CAISO daily maximum net load ramps each month is consistent with the causation principle. BAMx does not support PG&E's alternative proposal at this stage of the

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

² PG&E's specific proposal can be found at http://www.caiso.com/Documents/PG_E-Comments-FlexibleResourceAdequacyCriteriaMustOfferObligation-ThirdRevisedStrawProposal.pdf.

stakeholder process, and instead supports moving forward with the approach described in the fourth revised straw proposal.

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.

No comment at this time.

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
 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.

BAMx supports the ISO proposal to allow resources with use-limitations to include opportunity costs in the resource's default energy bid, start-up cost, and minimum load cost.

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

No comment at this time.

- b. Specialized must-offer obligations:
 1. Demand response resources
 2. Storage resources
 3. Variable energy resources
 4. At the 11/13 stakeholder meeting there 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.

BAMx believes that additional analysis and discussion is needed to resolve the flexible capacity availability incentive mechanism pricing.

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

BAMx supports the use of a weighting mechanism, but proposes different weights from those proposed by the CAISO.

- b. The relative weights between the real-time and day-ahead markets

BAMx suggests the RT and DA market weights each should be 50%. While the actual dispatch of the flexible capacity resource will take place in the RT market, BAMx is concerned that if the incentive mechanism skews the availability of flexible capacity resources away from DA towards RT, there could be unintended consequences for DA market results. The amount of flexible capacity participating in the CAISO markets is expected to be a substantial portion of the CAISO’s economic bids. Differences in the composition of resources submitting such bids DA vs. RT could affect DA vs. RT market price results. The SFCP evaluation mechanism should not be designed in a way that creates discontinuities between those 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.

BAMx is concerned that the replacement requirement for Use-Limited resources could lead to the unintended and inefficient consequence of keeping a portion of available flexible capacity off of the flexible capacity market, as Use-Limited resource owners might keep a portion of their capacity in reserve as backup for their Use-Limited resources.

7. Please provide comments regarding how, or if, the SFCP adder price and the flexible capacity backstop price should be related.

No comment at this time.

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

BAMx reiterates its comments on the third revised straw proposal regarding the error term. The error term should be bounded at plus or minus 20% of the total requirement (and the error term initially should be set to zero, as proposed by the ISO). In future years, within these bounds, the ISO should propose the value of the error term to use for the subsequent RA year based on a comparison of the flexible capacity made available to the ISO in the preceding compliance period to the ISO's actual flexible capacity needs during that period. Changes to the error term bounds should be addressed in future FERC filings after completing a stakeholder process.