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 fcp@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.

    BAMx supports this aspect of the ISO's proposal.

    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).

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

It may not be practical to look at each LSE's historic net-load ramp on a daily or monthly basis, but it may be practical to look at each LSE's gross load change during the time of the historic ISO maximum net-load ramp. If the latter approach is used, particularly once significant intermittent resources are reflected in the historic calculation, using the LSE's average gross load contribution during the historic daily ISO maximum 3-hour net-load ramps may be a better indicator of the Δ load component than the proposed method. A drawback of this approach would be an obvious lag effect as the proportion of solar and wind increases. That drawback could be avoided by identifying the time window of the forecast ISO 3-hour net-load ramp for each month and simply using the same time window for the calculation of each LSE's contribution to historical ISO 3-hour ramp during the same time window. It would be helpful to see examples of the Δ load component allocation using the different methods being considered. Our suspicion is that there might not be a significant difference in the results between the various methods. Differences in the level of effort required to implement each method should be weighed against expected improvements in reflecting causation in the resultant allocations when choosing the preferred 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 at this time.

d. Should the ISO consider seasonal allocations for each component? What would these seasonal allocations look like?

Monthly allocations for each component appear to be reasonable. Seasonal allocations of each component might make sense if there were sufficient consistency of the ISO's flexible ramping needs across months to justify the use of seasonal allocations. But, the more consistent the needs are, the less reason there would be to take the trouble to create seasonal allocations instead of monthly allocations. If the ISO considers proposing seasonal allocations, it should provide stakeholders comparisons of the potential seasonal allocations to the monthly allocations derived from the same data.

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?

The ISO's Cost Allocation Guiding Principle for Causation is that costs will be charged to resources that benefit from the services being procured or to resources that drive the procurement decision.[2] The ISO's flexible capacity requirements are strongly related to resource intermittency, which is why the inclusion of the intermittent solar and wind resource components is justified. The ISO's flexible capacity needs also include ramping requirements that are affected by load changes, and ancillary services requirements that are linked to load (e.g., operating reserves are required for 7% of load served by non-hydro resources and for 5% of load served by hydro resources). Thus, the ISO's proposed approach for allocating the flexible capacity requirements based on the proposed components reflects causation principles (though the ancillary services allocation based on 3.5% of peak load share does not take into consideration the reduction in the requirement to 2.5% (one-half of 5%) for LSE's for their load served by hydro).

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?

   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.

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:

   a. Resources not identified as use-limited No comment at this time.

   b. Dispatchable gas-fired use-limited resources No comment at this time.

      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.

[2] ISO Briefing on Cost Allocation Guiding Principles, May 9, 2012
http://www.caiso.com/Documents/BriefingCostAllocationGuidingPrinciples-Memo-May2012.pdf

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

c. Hydro Resources No comment at this time.

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

No comment at this time.

1. Demand response resources.

2. Storage resources.

3. Variable energy resources.

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

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

No comment at this time.

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?

The ISO should investigate the possibility of using confidential CPUC data to develop the flexibility adder.

c. The interaction between the existing SCP and the proposed SFCP No comment at this time.

d. The proposed SFCP evaluation mechanism/formula No comment at this time.

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

2. The treatment of forced and planned outages

3. The minimum availability thresholds for use-limited resources

e. The proposed substation rules for forced outages

f. The last two sentences of Section 8.4 state that flex capacity substitution need not come from the same resource that provides substitute generic capacity, but local resources on forced outage will require another local resource be used for substitution. Parties should be allowed to substitute a non-local flexible capacity resource to meet the portion of the flexible capacity requirement being met by the local resource, and to separately substitute another local resource that may not have available Effective Flexible Capacity, to meet the local capacity requirement. For the substituted flexible capacity resource and for any substituted generic capacity, the current "same electrical bus" substitution requirement for local capacity substitutions should not apply.

g. Please also include comments regarding issues the ISO must consider as part of the evaluation mechanism that are not discussed in this proposal. No comment at this time.

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 No comment at this time.

   b. The opportunity for LSEs to provide a list of uncommitted flexible capacity that can be used to help cure flexible capacity deficiencies No comment at this time.

7. Are there any additional comments your organization wishes to make at this time? No comment at this time.