

Stakeholder Comments Template

**Flexible Resource Adequacy Criteria and Must-Offer Obligation
Straw Proposal, July 25, 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 revised straw proposal on July 25, 2013, and issues discussed during the stakeholder meeting on August 1, 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 August 15, 2013.

1. The ISO has proposed a process by which an annual flexible capacity requirement assessment would be conducted. Please provide any comments or questions your organization has regarding this proposed process.

All Local Regulatory Authorities (LRAs), including the POU LRAs, should be formally included in the assessment process, on par with the CPUC and CEC.

2. 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. Please provide specific alternative 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,

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

- a. Over the course of a day or month, any of the identified contributors to the change in the net load curve may be positive or negative. How should the ISO account for the overall variability of a contributor over the month (i.e. how to account for the fact that some resources reduce the net load ramp at one time, but increase it at others)?

For each month, the CAISO should consider the expected contribution of each component during the period that is driving the ramping flexibility requirement for that month. For example, if the requirement is based on the evening ramp for the month, then the expected contribution during the evening ramp should be considered (whether positive or negative).

- b. What measurement or allocation factor should the ISO use to determine an LRA's contribution to the change in load component of the flexible capacity requirement?

The load factor approach proposed in the July 25 Proposal does not reasonably represent an LRA's contribution to the change in load component of the flexible capacity requirement. If anything, higher load factors might suggest lower contribution to change in load, not higher as is implied in the July 25 Proposal. But we do not believe that a load factor approach is a reasonable indicator of an entity's contribution to the change in load component. A much better approach would be to allocate the change in load component based on each LRA's relative contribution to the change in load. BAMx proposed two alternative approaches in its June 26, 2013 comments, either of which could be implemented using the load data CAISO is proposing to use ("...the most current full year of actual load data and the most current California Energy Commission (CEC) approved load forecast ..." July 25 Proposal p. 12). If a particular LSE can demonstrate verifiable anticipated changes in compliance period load vs. historical load, those changes could be incorporated into the data set.

- c. Does your organization have any additional comments or recommendations regarding the allocation of flexible capacity requirements?

Consistent with BAMx' June 26, 2013 comments on the first Revised Straw Proposal, the allocation approach must reasonably link the requirement being allocated to the entities that give rise to the requirement. For the resource-related drivers (solar PV, solar thermal, wind and DG), the CAISO's proposed approach is reasonable. For the load component, further work is needed (see above response to 2.b.).

Additionally, some parties have argued for a more simplified allocation approach. While we continue to believe that the CAISO's proposed approach, with the load component modifications we have proposed could reasonably be implemented, if simplifications are needed, they must result in an allocation that is linked to causation. For example, it would be better to use an annual load component allocator based on the methodology proposed by BAMx, than it would be to use a monthly allocator based on load factor or peak load, since the BAMx approach better represents each LRA's contribution to the change in load.

3. 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
 - b. Use-limited resources
 1. Please provide specific comments regarding the ISO's four step proposal that would allow resources with start limitations to include the opportunity costs in the resource's start-up cost.
 2. Please provide information on any use-limitations that have not been addressed and how the ISO could account for them.
 - c. Hydro Resources

The proposed must-offer obligation for hydro resources should be based on the resource's committed flexible capacity, which should be capped at the resource's Effective Flexible Capacity. The Effective Flexible Capacity should be the amount of capacity that the resource is expected to be able to sustain for six hours. The ISO should clarify that the Effective Flexible Capacity can be different from the resource's Pmax.
 - d. Specialized must-offer obligations (please also include any recommended changes for the duration or timing of the proposed must-offer obligation):
 1. Demand response resources
 2. Storage resources
 3. Variable energy resources

4. 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 ISO's flexible capacity backstop procurement proposal.

The CAISO should clarify that it intends to exercise flexible capacity backstop procurement authority only after each monthly showing, consistent with its approach to local capacity backstop procurement.

5. The ISO is not proposing to use bid validation rules to enforce must-offer obligations. Instead, the ISO is proposing a flexible capacity availability incentive mechanism. Please provide comments on the following aspects of the flexible capacity availability incentive mechanism:

- a. The proposed evaluation mechanism/formula

1. The formula used to calculate compliance
2. How to account for the potential interaction between the flexible capacity availability incentive mechanism and the existing availability incentive mechanism (Standard Capacity Product)

- b. The use of a monthly target flexible capacity availability value

1. Is the 2.5% dead band appropriate?
2. Is the prevailing flexible capacity backstop price the appropriate charge for those resource that fall below 2.5% of monthly target flexible capacity availability value? If not, what is the appropriate charge? Why?

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

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

We appreciate the opportunity to comment, and again want to emphasize that the allocation of the flexible capacity obligation must be linked to each entity's contribution to the overall flexible capacity requirement. We believe that with the changes to the load component described by BAMx in our June 26 comments, the CAISO can meet this test.

