

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the  
Resource Adequacy Program, Consider  
Program Refinements, and Establish Annual  
Load Procurement Obligations

Rulemaking 11-10-023  
(Filed October 20, 2011)

**COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS  
ASSOCIATION IN RESPONSE TO THE SCOPING RULING OF DECEMBER 6,  
2012 ON THE JOINT PARTIES' PROPOSAL ON RESOURCE ADEQUACY  
AND FLEXIBLE CAPACITY**

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**I. INTRODUCTION**

These comments are submitted pursuant to the Scoping Ruling issued on December 6, 2012 by Assigned Commissioner Ferron and Administrative Law Judge (ALJ) Gamson and the email from ALJ Gamson sent on December 19, 2012 extending the due date to December 26, 2012. Attachment A to that Ruling contains a proposal by the California Independent System Operator (CAISO), Southern California Edison Company (SCE), and San Diego Gas and Electric Company (SDG&E), referred to as the "Joint Parties" (Joint Parties' Proposal or Proposal). These Comments respond to the questions contained in the Ruling's Attachment B regarding that Proposal.

The California Large Energy Consumers Association (CLECA) herein provides its comments in the format requested in Attachment B, but prefaces these comments with a broader set of questions and concerns that should be answered first. Some of these concerns are addressed in pieces in Attachment

B, but Attachment B's focus on details misses the bigger picture concerns that are central to this undertaking.

Furthermore on a CAISO conference call on flexible capacity on December 17, CLECA was informed that the enhanced must-offer obligation (EMOO) recommended in the Joint Parties' Proposal was to be removed from the Proposal for the year 2014 Resource Adequacy (RA) filings. This was verified at the related CAISO stakeholder meeting on December 20. This planned elimination of the EMOO removes a significant attribute of the Proposal, which is an obligation to bid into the CAISO's real-time energy market. The main reason for creating a flexible capacity requirement is to be sure that flexible resources are made available to the CAISO for dispatch; ensuring such resources are available cannot happen if those resources are to be self-scheduled. There may well be other ways of providing a mechanism for such availability besides the EMOO, but the Joint Parties' Proposal has no other provision to assure access to these resources. Elimination of this provision is a serious failure of the Proposal.

## **II. GENERAL COMMENTS ON THE JOINT PARTIES' PROPOSAL**

The explanations offered in the Introduction and Background sections of the Joint Parties' Proposal do not address some critical precursor questions, but rather assume they have been answered to the satisfaction of the Commission. We do not believe that these questions have been answered. The Commission and parties must know the answers in order to determine whether or not to support the Proposal's recommendation for actions to be taken in 2013 for RA compliance year 2014. These questions are listed below:

- 1) Does the ISO not currently have enough flexibility in real-time? If it has enough now, at what point in time does it expect the surplus to turn into a shortfall, and why? Is an shortfall because (a) there is a current, fundamental shortage of flexible resources; (b) RA portfolios contain too much inflexible capacity; (c) Scheduling Coordinators (SCs) self-schedule more than they should; or (d) some other reason? It is difficult to both propose and evaluate solutions to a problem whose parameters are not well understood.
- 2) How does the Joint Parties' Proposal with the EMOO included address each of the underlying questions cited above? If portfolios do, in fact, contain too much inflexible capacity, can those portfolios feasibly be reconfigured in the short- or long-term or can the terms of contracts that limit flexibility be amended?
- 3) At the CAISO stakeholder meeting on December 20, a rationale for seeking flexible capacity was offered for the first time. Apparently the Joint Parties are concerned that increasing amounts of renewable generation will qualify for Resource Adequacy (RA), thereby "crowding out" flexible thermal generation. No data were provided to support this claim. The Commission should ask the CAISO and the utilities to substantiate claims about crowding out flexible resources with data before it adopts any position on a flexible capacity requirement. How much RA will be met with renewable resources each year over the rest of the decade? Will there be a "tipping point" reached where this "crowding out" is expected to begin? If "crowding out" becomes a real problem, how can LSEs with multi-year RA contracts adjust their portfolios? If they cannot, how much backstop capacity procurement could occur? How much flexible capacity is currently under contract and do those contracts allow for flexible use? When will the contracts end? Are changes anticipated when current flexible capacity falls out of current power purchase contracts?
- 4) The proposal appears to shift most of the responsibility for providing flexibility away from SCs as a group and toward suppliers. If suppliers are ultimately required as a condition of providing flexible RA capacity to comply with the EMOO, is there any possibility that other contractual provisions associated with flexible resources will limit their ability to offer that flexibility?

- 5) How should a flexible RA resource's failure to perform be addressed? The Joint Parties' Proposal defers any discussion of this issue. Indeed, on the CAISO's December 17, 2012 conference call on flexible capacity, the CAISO stated that the issue of compliance enforcement, as well as the issue of the EMOO, will be put off until later, with no requirements proposed until the 2015 RA compliance year. Without the EMOO or compliance requirements for 2014, it is hard to understand how or why the Proposal would be effective in 2014.
- 6) Is it appropriate for the CAISO to include backstop procurement authority for flexible capacity for 2014? There is no provision for EMOO for 2014; nor are there incentives or compliance provisions for procuring flexible capacity that the CAISO can use to meet ramping requirements. The risk of consumers paying twice, once for RA and once for supplemental backstop due to the current contractual and other constraints on existing RA portfolios is too great. If there is minimal risk of insufficient flexibility in 2014, why is any backstop authority needed?
- 7) Are there one or more alternatives that would rely more on a combination of market forces and less on administrative rules that add more complexity to an already complex resource adequacy program? Can they be developed through a process of responding to this one Proposal? The extensive list of questions in Appendix B appears to presume that the

Joint Parties' Proposal is the default starting point to deal with an apparent, but as yet unproven, lack of resource flexibility. CLECA contends that any proposal is premature. We understand that this issue was deferred from the last phase of this proceeding, and there are concerns in some quarters about delay. Nonetheless, the Commission needs to make sure it understands the problem before endorsing any proposal. If, for example, portfolios with too many inflexible resources cannot be reconfigured in the next few years, the Joint Parties' Proposal does no good unless the Commission is prepared to allow the IOUs to recover the cost of flexible capacity that is not otherwise needed to meet existing RA requirements; this would increase rates for consumers while providing highly

questionable benefits. With this and other precatory issues still unaddressed, asking stakeholders to invest time and resources answering a long list of questions appears, at this point, somewhat premature. CLECA accordingly provides the following responses with the caveat that our positions and responses may be subject to change, depending on the answers to the above, critical, precursor questions.

### **III. Questions on the Joint Parties' Proposal in Attachment A**

#### **A. Reliability Risk**

1. *What is/are the most critical grid reliability risk/risks that should be evaluated and managed through the flexible capacity procurement initiative?*

A1. It appears that the intention of flexible capacity procurement is to assure that the CAISO has sufficient resources available for dispatch up and down to adjust for the intermittency of certain renewable resources as well as load forecasting uncertainty. The identified risk is that of insufficient dispatchable resources that can change output at a certain rate over time (referred to as "flexible" resources) to meet various requirements; these requirements include very short term changes in net load, intra-hour changes in net load, and ramping requirements resulting from increases and reductions in output from intermittent renewable resources, particularly solar PV, and load.

Unfortunately, there is no knowledge of the flexible capacity the CAISO can dispatch currently and only limited understanding of the future need. This inhibits and limits our (and indeed everyone's) ability to determine what are the most

critical grid reliability risks that should be evaluated and managed through a flexible capacity procurement initiative. Please see our General Comments above.

2. *This proposal attempts to address reliability risk by recommending that the CPUC establish a monthly interim flexible capacity obligation that is based on the ISO's identified flexible capacity needs.*

*a. Identify the key tasks required to implement this proposal. Propose the order in which they should be addressed, and discuss whether they should be taken up simultaneously or sequentially.*

A2a. The first task is to determine how much flexible capacity will be needed, given the aggregate resource mix. So far the CAISO has provided some historical information on requirements for regulation, load following and ramping in past years, i.e. 2010 and 2011, and simulated results for 2020.<sup>1</sup> A detailed forecast for 2014, 2015, or 2016, however, has not been made available.

Furthermore, the CAISO on the December 17 conference call stated that the first big increase in intermittent renewables about which it is concerned is 2015.

When asked by Energy Division whether it had performed a detailed analysis for 2015, it said no.<sup>2</sup> The CAISO also indicated at the December 20 stakeholder meeting that it will be updating its analysis to include the new LTPP scenarios.

This updating could change the results of any past analysis, including whether there will be a significant change in net load in 2015. Thus, it appears that the need for the years in which the requirement is being proposed is not actually known. Even with the uncertainty inherent in forecasting, the Commission must

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<sup>1</sup> R11-10-023, RA Flexible Capacity Workshop: Flexible Capacity Procurement Proposal, CAISO presentation to CPUC

<sup>2</sup> If there is no need until 2015, it raises the question of why there is a need to implement a flexible capacity requirement in 2014 without a EMCO and without a compliance mechanism.

not impose a flexible capacity requirement prior to evaluating a detailed forecast of need.

The second task is to determine how much flexible capacity is already committed under the MOO for RA resources and whether that flexibility is available to be used subject to contractual commitments.<sup>3</sup> This determination would involve both self-scheduled and bid-in RA resources. Clearly some limitations apply because of the use-limited nature of certain RA resources. However, if there are non-use-limited resources that are flexible but not available for dispatch, this circumstance could require the procurement of additional flexible resources to be bid into the CAISO markets; the result would be an additional cost to ratepayers to meet flexibility requirements that might be met with existing RA resources if permitted by their contracts.

The Commission has no ability to direct non-utility LSEs to change their procurement and self-scheduling policies, but it could review the policies of the IOUs. Furthermore, the Commission has no ability to change existing contractual commitments or physical constraints involving self-scheduling or otherwise affecting flexibility limitations. In the longer term, however, it could provide direction on maximizing flexibility where possible for future agreements and portfolios. The Commission has both the obligation and the authority to oversee IOU procurement and bidding and scheduling practices. It should use this authority to ensure that the IOUs are self-scheduling in a way that maximizes benefits for the grid and for ratepayers.

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<sup>3</sup> This would include an assessment of how much flexibility is or could be available from the existing combined cycle plants, since the CAISO expressed uncertainty about this at the December 20 stakeholder meeting.

- b. Can the difference between load and net-load be met partially by introducing curtailment provisions in renewable contracts (particularly solar resources)? What are the implications of doing so?*

A2b. There are several issues here. The first is the concept that “net load” derives from the inability of the CAISO to do anything to manage the grid’s exposure to intermittency from certain renewable resources. Procurement of shaped renewable resources would reduce this exposure. Running more day-of and hour-ahead markets would allow for procurement closer to the time of need and more fine-tuning of resource requirements based on more recent information on insolation and wind. (It would also have the potential reduce real-time congestion and dispatch adjustments.) Some curtailment of intermittent renewable output should also be added to the mix of solutions to the extent possible given contractual commitments.

- c. What are other options to alleviate the underlying reliability risk(s) (e.g. modified bidding behavior, incentives within procurement programs to procure resources that reduce identified reliability risks)? What are the benefits and drawbacks of addressing reliability risk by developing a flexible capacity obligation for LSEs relative to the alternatives?*

A2c. What is most concerning about Attachment A and this comment process is that the Proposal will receive more attention than any possible alternative; it will be the subject of opening and reply comments, whereas any alternative submitted in response to the Proposal can only be the subject of reply comments. Moreover, the workshop to discuss flexible capacity and the Joint Parties’ Proposal was cancelled, thus providing no interactive forum for discussing alternatives. CLECA is seriously concerned and cautions the Commission against permitting this Proposal to become the default proposal.

A possible alternative is to have the CAISO publish its flexibility need in advance of the RA procurement deadline for the following year. This could be specified on an annual or a monthly basis. (We note that changing procurement to a monthly requirement will add complexity.) Each Scheduling Coordinator (SC) would have an obligation to provide its pro rata share of that flexible capacity in the resources it bids into the CAISO markets. If an SC falls short of its required share, it would be held responsible for any costs incurred as a result of the shortfall. For example, if the real-time procurement needed to resolve a lack of flexibility hits the power balance limit, there would be a penalty price. SCs that failed to offer their pro-rata share of flexibility would be charged for their imbalances at the penalty price. The SC would in turn pass that on to the LSE or generator that failed to meet its share of the SC's flexible capacity obligation.

*d. In addition to addressing reliability risk, does the flexible capacity obligation have other market impacts?*

A2d. Yes. As noted above, there are several. First of all, there is the interaction with self-scheduling, which may limit the flexibility of resources already procured because of contractual, use-limitation, or other issues. Secondly, attempting to maximize procurement of resources in the day-ahead market impairs the ability to find-tune procurement in time periods closer to real-time; yet it is these time periods where intermittent resource availability and load may be better predicted. Third, it could lead to an undesirable combination of lower market prices and higher costs. Committing too much generation day-ahead could depress market prices to the point where generators are entitled to out-of-market bid cost recovery payments. More day-of market opportunities, including

a full hour-head market, would likely help. This would involve re-design of the CAISO's markets, which may be more cost-effective than procuring more resources than might otherwise be needed to assure sufficient flexibility.

*e. How does this type of proposal, as compared to others, satisfy the Guiding Principles as set forth in the August workshop? (See Draft Guiding Principles in the Appendix to these questions)*

A2e. The Proposal does not satisfy the Guiding Principles. It fails the test of being administratively simple. It also involves administrative rules that do not minimize costs through market mechanisms. Since the Proposal does not address how DR and storage can be incorporated, it is not technology neutral. We are also concerned that the flexibility needs study will not be transparent, since it will no doubt make use of confidential information in the Master File on generator bid characteristics and the use of self-scheduling. Greater simplicity and transparency would be achieved under CLECA's alternative summarized above.

**B. Interim RA Solution (Section 2)**

3. *The proposed flexibility procurement initiative institutes an interim RA solution for 2014-2017. What are the anticipated impacts of an interim approach on resource adequacy contracts? What factors should the CPUC consider in deciding whether an interim approach is appropriate?*

B3. As noted in our General Comments above, there are still some critical unanswered questions as to the current level of flexibility, the need for flexibility, and whether current resources could provide more flexibility if asked to do so. The CAISO stated at a previous workshop that the information it has about resource flexibility comes from its Master File and may well not capture either

actual or potential flexibility from existing resources. A reasonable decision on how to procure needed flexibility must involve a review of this apparently currently unknown data on potential flexibility from existing resources.

As to potential impacts on RA contracts, we have no way of knowing what flexibility the LSEs have under current RA contracts for dispatch of RA resources. If an LSE has a multi-year RA contract, it may not be able to be changed. If that contract is for capacity only, the LSE may have no say over the bidding behavior of its owner or the related dispatch. Perhaps the LSEs will provide this information; they may, however, claim confidentiality and restrict the availability of the information. Regardless, it is this Commission's duty, in considering these and other factors, to keep focus on the bottom-line impacts of its policies on rates.

4. *Should the flexible capacity start in 2014? Explain why or why not.*

B4. As stated in our General Comments above, we see little merit in starting a flexible capacity requirement in 2014 without a must-offer requirement that will enable the CAISO to have the ability to dispatch the flexible generation in its markets. Since the CAISO has stated that it cannot implement such a requirement for the 2014 RA year, we suggest that the requirement start in 2015. In the meantime, the flexible capacity attributes of all generation that can be available given existing contractual commitments can be determined, along with an assessment of any potential shortfalls. At the CAISO stakeholder meeting on December 20, the CAISO indicated it did not anticipate a shortfall in 2014.

**C. *Development of Eligibility and Needs Methodology (Section 3.1 and Section 3.2)***

5. *According to the proposal, "flexible capacity need" is defined as the need*

of the ISO to meet ramping and contingency reserves. (Section 3.1) a. Is this an appropriate definition of flexibility? If not, please explain what might be an appropriate definition and why. b. Should flexible capacity needs encompass all of the contingency reserves (E.G. Spin, Non-spin, Regulation up/down)?

No answer.

6. Flexibility needs are calculated according to the following formula (Section 3.2)-

$Flexibility\ Need_{MTHy} = Max[(3RRHRx)_{MTHy}] + Max(MSSC, 3.5\% * E(PL)_{MTHy}) + \epsilon$   
Where,  $Max[(3RRHRx)_{MTHy}] =$  Largest three hour contiguous ramp starting in hour x for month y

$E(PL) =$  Expected peak load  $MTHy =$  Month y  $MSSC =$  Most Severe Single Contingency  $\epsilon =$  annually adjustable error term to account for uncertainties such as load following

a. Is the above formula an appropriate measure to calculate flexibility needs and why?

• E.G. The ISO included the max of either a 3.5% of monthly expected peak load (EPL) or Most Severe Single Contingency (MSSC) factor to the need calculation. This is supposed to ensure that the ISO gets 100% of spinning reserve capacity needed to cover the MSSC.

- What evidence supports using a 3.5% of EPL to provide the spinning reserve needs in an N-1 contingency?
- Is it reasonable to require spinning reserves equal to 100% of MSSC? Please explain.

C6a. Requiring spinning reserves equal to 100% of the largest single contingency is reasonable for the CAISO as a stand-alone balancing authority. It may too conservative if the CAISO could become part of a reserve-sharing group.

b. According to the proposal, flexible capacity need is based on how much ramp capability a resource can offer and sustain over a continuous three hour period. Is three hours an appropriate duration in which to measure ramping? Support your answer with empirical data when possible.

C6b. The requirement that a resource be capable of sustaining a ramp over a three-hour period is reasonable, but there are questions about this requirement that must be answered. How will resources substantiate their capabilities to meet this requirement? What will the compliance obligation be if a resource does not provide the capability it claims? Will there be any real consequences in the event of failure? CLECA strongly recommends that there be well-defined performance obligations for flexible capacity as well as compliance requirements, with consequences for non-performance for the supplier and consequences for inadequate procurement for the LSE.

*c. Is adding an annually adjustable error to ramping requirements term to account for uncertainties appropriate?*

No answer.

- Should the error factor be capped? If so, what is an appropriate cap level and why?*

- What criteria should be stipulated to provide appropriate boundaries on what can be included in the error factor (i.e. proportion of wind generation, or distributed generation)?*

No answer.

*d. The ISO proposes to use minute-by-minute estimate of load to calculate flexibility needs. Please discuss the suitability of this approach and if this is not suitable, what are the other options?*

No answer.

*e. It appears flexible capacity procurement is overlapping with the determination of operating reserves. Is this appropriate? Can some amount of the PRM be offset, and how can the CPUC manage the overall RA*

*obligation if portions are met with more flexible resources?*

No answer.

7. *What process(es) or proceeding should be used to calculate capacity flexibility needs as load and supply change over time?*

a. *Currently the annual LCR process results in a determination of local capacity needs on an annual basis. Should flexible capacity needs be included within the LCR process, or should a separate but similar process be established to update flexible capacity needs? Please explain.*

No answer.

b. *Who should determine flexibility needs annually– the ISO or some other third party?*

No answer.

**D. Allocation of Flexible Capacity Requirements (Section 3.3 and Section 3.4)**

8. *The proposal recommends the CPUC allocate flexible capacity procurement obligations to LSEs based on each LSE's relative share of monthly system peak. Is this a suitable approach? Explain why or why not.*

a. *What other alternatives exist within CPUC jurisdiction that allows LSEs to demonstrate compliance of flexible capacity obligations? Please discuss the relative costs and benefits of different approaches. (Section 3.3)*

No answer.

**E. Flexible Capacity Must-offer Obligations (Section 4)**

9. *In addition to the must-offer obligations that currently apply to RA resources, the flexible capacity must-offer obligation for flexible resources would require resources to submit economic bids into the ISO's real-market between a predetermined set of hours (i.e. 5AM to 10PM).*

a. *What is the impact of this more stringent must-offer obligation for flexible resources on specific resources?*

E9a. The impact on system operations will be to give the CAISO the ability to dispatch this generation to take advantage of its flexibility for the purpose of

addressing its need for ramping as net load changes more rapidly and frequently in the future. We cannot speak to the consequences for contractual commitments or changes in operation of existing facilities. There may well be additional costs to more flexible operation.

*b. Is the proposed set of hours suitable? Does limiting the hours in which a resource must submit economic bids enable more resources to participate in the flexible capacity initiative?*

E9b. Any limitation on the hours during which a MOO applies should be consistent with the CAISO's need for flexibility in both the upward and downward directions. Limiting the applicable time frame for the MOO would enable more resources to participate, but any such limitation does no good if as a result the CAISO has to increase the amount of flexible capacity it says it needs.

*c. Is it appropriate to exclude self-scheduled resources from counting towards flexibility?*

E9c. Yes. Self-scheduled resources cannot be dispatched by the CAISO. Thus the CAISO has no ability to meet its flexibility needs using these resources and must instead work around these self-schedules, just like it at present must work around the intermittency of certain renewable resources. Not only should they not count toward flexibility, but the use of self-scheduling should be examined and justified. We are not saying that there are no legitimate reasons for self-scheduling, but since we do not know how much of it occurs or why it occurs, it could be a major factor in determining whether a flexible capacity requirement is justified in the first place.

*d. Can this risk be alleviated partially by incentivizing resources with Must-Offer Obligations to submit economic bids in the ISO market instead of self-scheduling? What changes could be contemplated within*

*regulatory proceedings at the ISO and the CPUC, to make it conducive for resources to submit economic bids instead of self-scheduling their energy?*

E9d. The real question is the reason for self-scheduling. Some self-scheduling occurs for operational reasons. For example, a hydro resource that involves water that will be consumed downstream according to a certain schedule will self-schedule. In such an instance, it is not clear that paying more for the resource will enable dispatchability by the CAISO. Such operational constraints are separate and they are independent of electricity. We recommend that the reasons for self-scheduling be analyzed to see which could be overcome through compensation and which are unrelated to power markets.

Notably, an issue arose in a prior LTPP case regarding the PG&E Helms project, where there is a transmission constraint that affects dispatchability. Here, an analysis of the costs and benefits of eliminating that constraint would be required.

**F. Eligibility (Section 5.1)**

10. *According to the proposal, a resource must be able to ramp and sustain energy output for a minimum of three hours to qualify as flexible. Is this a suitable condition to determine eligibility for flexible resource? (Section 5.1) Please explain why or why not.*

No answer.

11. *Is the ISO proposed mechanism to modify the resource's master file to note flexible capacity as "dispatchable" appropriate? Please explain why or why not.*

No answer.

a. *What, if any, capacity procurement impacts on current resources due to the bundling requirement can be anticipated (positive and*

*negative)? (Section 5.2)*

No answer.

12. *How can the integrity of the master file be maintained?*

No answer.

13. *“Dispatchability” is as much a contractual term (i.e. bidding behavior) as it is a physical characteristic of a resource. How can generators list contractual terms in the MasterFile?*

No answer.

**G. Flexible Counting Conventions (Section 5.3.2)**

14. *Joint parties evaluated three options for counting how a resource’s flexible capacity quantity would satisfy a flexible capacity procurement obligation. The three options are: 1) Pro-rata Option: Pro-rata sharing of flexible and generic capacity; 2) Differentiated Capacity Option: Distinguish flexible capacity from generic capacity; and 3) Count-all Option: Count all capacity from “dispatchable” generators as flexible.*

*a. Which option do you think is better and why? (Section 5.3.2)*

*b. What would the impact(s) be on RA contracting for each approach?*

*c. What would be the impact of each approach on different types of resources, and particularly on preferred resources?*

No answer.

15. *Please comment on the proposed counting conventions for –*

*d. Non-use limited thermal resources (Section 5.3.3.1)*

*i. The proposal states that resources with start-up times greater than 90 minutes would be eligible to offer flexible capacity between PMin and NQC. Is 90 minutes an accurate threshold for startup time? What resources would be at an advantage or disadvantage if this threshold was adopted?*

*ii. What would be the impact on flexible generators with slightly longer startup time (120 minutes – 180 minutes)?*

*e. Use-limited thermal resources (Section 5.3.3.3)*

*f. Multi-stage generation resources (Section 5.3.3.2)*

*g. Hydro resources (Section 5.4)*

*i. The ISO and SDG&E recommend that the ISO establish a baseline output for hydro resources using the average hydro output over the previous five years. Is using an average output appropriate and what are the other approaches that can be adopted to calculate its value?*

*e. Intertie resources (Section 5.5)*

*f. Any other resources for which counting conventions should be developed.*

No answer.

16. *In order to increase transparency over RA capacity procurement, what data could be made public within confidentiality restrictions?*

*a. What constraints should be imposed on sharing data such as ramp rate, PMin, PMax, or other values that may be considered confidential?*

*b. What are the best options to resolve disclosure concerns?*

*c. What tariff or BPM rules restrict data release?*

No answer.

17. *Should there be different qualitative and quantitative metrics of flexibility for demand response and storage resources?*

G17. For demand response (DR), the issue is what flexibility requirements are needed by the system and how can DR be configured to provide these. In order to provide the type of flexibility discussed in the Joint Parties' Proposal, a recent Navigant study for the Demand Response Measurement and Evaluation Committee (DRMEC) suggested that the DR would have to be automated to

provide the type of ramp requested by the CAISO.<sup>4</sup> In addition, to provide an ancillary-service type product, currently telemetry is required, which is very costly for smaller resources. There should be a separate process to determine what is required for DR to provide flexibility once the products types are better defined.

*a. Is so, what characteristics or criteria could be used to quantify flexibility for storage devices and demand response?*

*b. What demand response programs or types are most suitable for flexible resource eligibility?*

G17b. As noted above, automated DR is probably most suitable. The most likely end uses to be adjusted in this way are lighting and HVAC. However, unlike PJM, WECC currently does not allow DR to provide regulation or spinning reserves so this prohibition must first be overcome.

#### **H. General**

18. *What are the specific impacts of the flexible capacity procurement initiative on procurement and contracting on Community Choice Aggregators and Electric Service Providers?*

No answer.

#### **IV. CONCLUSION**

The bigger picture concerns identified above must be addressed for the Commission to successfully deal with renewable integration and grid reliability issues. Detailed forecasts for 2014, 2015, and 2016, along with the additional data described above, are essential for the Commission to determine whether or not to undertake the Proposal's recommended actions in 2013 for RA compliance

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<sup>4</sup> "Potential Role of Demand Response Resources in Maintaining Grid Stability and Integrating Variable Renewable Energy under California's 33 Percent Renewable Portfolio Standard", prepared for DMREC, Navigant Consulting, Inc. July 20, 2012.

year 2014. Moreover, the main reason for creating a flexible capacity requirement is to be sure that flexible resources are made available to the CAISO for dispatch; ensuring such resources are available cannot happen if those resources are to be self-scheduled. In addition to the lack of key analytical prerequisites, the deferral of the EMOO and compliance requirements calls into question the ability of the Proposal to accomplish its goals. Alternative mechanisms to the EMOO may be available, but none are included in the Joint Parties' Proposal.

CLECA recommends consideration of its proposed alternative in conjunction with the preparation and review of 2014, 2015, and 2016 forecasts. CLECA strongly urges deferral of any implementation of the Proposal until the data and analysis recommended in these comments are produced and carefully reviewed.

Respectfully submitted,

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