

**ATTACHMENT B**

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
PROPOSED  
FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDERING  
PARAGRAPHS TO ADOPT ITS RECOMMENDATIONS IN THIS PROCEEDING**

## **FINDINGS OF FACTS:**

1. There is a reasonable likelihood of operational flexible capacity deficiency starting as early as 2014.
2. Flexible capacity is needed to ensure that the ISO has sufficient flexible capacity available in 2014 to manage current and incremental operation needs as more intermittent resources come on-line.
3. The adoption of a flexible capacity requirement as part of the resource adequacy program will help ensure that flexible capacity is operationally available to the ISO to maintain grid reliability.
4. Establishing a flexible capacity requirement for 2014 will allow load serving entities and resources to gain experience with the requirement effectively before flexible capacity is absolutely critical to maintaining reliability in the balancing area in the following years.
5. The Joint Parties' Proposal provides the needed framework to implement flexible capacity procurement obligations for CPUC jurisdictional load serving entities for 2014.
6. Energy Division's revised proposal is highly aligned with the Joint Parties' Proposal and adds important implementation details.
7. The proposal of PG&E for the counting and treatment of hydro resources allows operators of flexible hydro resources to balance the operational needs for ramping during a day with hydrological and environmental constraints.
8. The ISO's flexibility capacity requirement assessment is based on the most current RPS build-out data, a methodology developed in the CPUC LTPP proceeding, and use of conservative estimates for load and tracking solar.

## **CONCLUSIONS OF LAW:**

1. The resource adequacy program should be amended to implement a flexible capacity requirement for the 2014 resource adequacy compliance year.
2. Flexible capacity procurement obligations should be established for all CPUC jurisdictional load serving entities for 2014.
3. The flexible capacity procurement obligations should be determined based on the Joint Parties' Proposal and the revised Energy Division proposal, with the clarifications proposed by the ISO.

4. The methodology and calculations that should be used to determine the flexible following:
  - The methodology the ISO used to determine the monthly flexible capacity requirement, and to identify the monthly obligation to CPUC jurisdictional load serving entities based on their contribution to peak load ratio share,
  - The flexible capacity requirement for 2014 as calculated and proposed by the ISO in this proceeding,
  - The differentiated capacity proposed by the Joint Parties and Energy Division,
  - The “bundling” principle linking flexible and generic capacity,
  - The formulas and criteria for counting the effective flexible capacity of resources (except hydro) toward meeting flexible capacity procurement obligations as set forth in the Joint Parties Proposal,
  - The PG&E proposal for qualifying and counting hydro resources’ effective flexible capacity toward meeting flexible capacity procurement obligations, and
  - The methodology the ISO used to identify the monthly obligation of CPUC jurisdictional load serving entities based on their contribution to peak load ratio share,
4. The effective flexible capacity of a resource should not exceed its net qualifying capacity.
5. Each CPUC jurisdictional load serving entity should be required to make a 90% year-ahead and 100% month-ahead showing of flexible capacity for each month of the compliance year.
6. The following issues should be addressed in the resource adequacy proceeding for compliance year 2015:
  - Establishing counting rules, criteria, and qualifications for use-limited resources, including those with start-up or environmental restrictions, demand response, and storage devices, and
  - Develop penalties and enforcement provisions applicable to jurisdictional load serving entities that are deficient in the flexible capacity procurement obligations.

## **ORDERING PARAGRAPHS:**

1. The resource adequacy program is hereby amended to implement a flexible capacity requirement for the 2014 resource adequacy compliance year.
2. Each CPUC jurisdictional load serving entity shall meet the flexible capacity procurement obligation for 2014 set forth in this order, as calculated by the ISO based on the on the Joint Parties' Proposal and the revised Energy Division proposal, with the clarifications proposed by the ISO.
3. The effective flexible capacity of a resource shall not exceed its net qualifying capacity.
5. Each CPUC jurisdictional load serving entity shall be required to make a 90% year-ahead and 100% month-ahead showing of flexible capacity for each month of the compliance year.
6. The following issues shall be considered in the resource adequacy proceeding for compliance year 2015:
  - Establishing counting rules, criteria, and qualifications for use-limited resources, including those with start-up or environmental restrictions, demand response, and storage devices, and
  - Develop penalties and enforcement provisions applicable to jurisdictional load serving entities that are deficient in the flexible capacity procurement obligations.