

**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 Local  
Procurement Obligations.

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

**Comments of the Large-scale Solar Association on the Staff Proposal on the  
Implementation of the Flexible Capacity Procurement Framework**

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Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure and ALJ's Gamson's email ruling on February 18, 2014, the Large-scale Solar Association ("LSA"), respectfully submit these comments on the Staff Proposal on the Implementation of the Flexible Capacity Procurement Framework (Staff Proposal).

In the comments below, LSA addresses three issues:

- Supports the Staff Proposal's efforts to have the flexible capacity allocation fully reflect cost causation, including the contribution of base load units.
- Encourages the Commission to continue to work toward the full participation of preferred resources and storage in the Flexible Capacity Procurement Framework.
- Requests further transparency and review of the Flexible Capacity Requirements Study and underlying assumptions.

**1. Allocation of the Flexible Capacity Requirements**

The Staff Proposal indicates that the Energy Division does not support the CAISO's Flexible Resource Adequacy and Must Offer Obligations ("FRAC-MOO") cost allocation methodology because it does not accurately reflect cost causation.<sup>1</sup> LSA agrees with the Staff

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<sup>1</sup> Staff Proposal at p. 5.

Proposal. The need for flexible resource adequacy stems from the flexibility or lack thereof within the entire generation portfolio from both conventional and renewable resources. As such, LSA supports the Energy Division's efforts to explore and develop other methods of allocation that accurately reflect cost causation. However, LSA is concerned about the apparent disconnect between the CAISO's allocation methodology and the interim allocation methodology proposed in the Staff Proposal and the confusion this may cause in the market. In the near term, LSA recommends the Commission continue to highlight areas of disagreement to ensure that areas of divergence between the Commission and the CAISO are clearly identified for all stakeholders and to prioritize these outstanding issues in the next resource adequacy cycle.

## **2. Ensure Participation of Preferred Resources in the Flexible Capacity Procurement Framework.**

In D.13-06-024 the Commission made it clear that this proceeding should develop rules that enable the participation of preferred resources and storage in meeting the Flexible Capacity Procurement Framework (FCP Framework).<sup>2</sup> LSA is pleased that some progress on developing these rules has been made to date, but continues to have concerns that the current proposal neither enables full participation of these resources, particularly variable energy resources, in the 2015 RA Compliance Year, nor will it send the necessary market signals to ensure the future development of preferred resources and storage that can contribute to meeting the flexible capacity requirements. As a number of stakeholders have noted in the FRAC-MOO stakeholder process, naming a proposal technology agnostic does not mean that the proposal is in

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<sup>2</sup> D.13-06-024 at 47-48 and Finding of Fact 20.

fact technology neutral.<sup>3</sup> For example, the CAISO has indicated that solar will be able to participate as a Category 2 resource during this interim program.<sup>4</sup> LSA sees this as unlikely because of the imminent implementation of an availability incentive mechanism for the 2016 RA Year which, as currently designed, would expose flexible variable energy resources to unreasonable risks and due to the seasonal nature of the Category 2 requirement that is unlikely to align with solar production hours. In addition, we are concerned that there is a disconnect between the Commission and the CAISO regarding how storage resources will be able to participate, with respect to Effective Flexibility Counting. These limitations are of concern as they send mixed signals to preferred resources and establish a FCP Framework optimized for gas-fired resources, in conflict with the State's Loading Order.<sup>5</sup>

While the current flexibility framework is interim, it is critical that the Commission begin to establish a workable framework for FCP that addresses the changing reliability needs, is reflective of the State's climate goals and is aligned with the Loading Order. LSA recognizes that this is not an easy task. However, in order to ensure there are preferred resources that can meet the flexibility needs; the market needs early and clear signals from the Commission regarding how the capabilities of these resources will be valued. As such, LSA encourages the Commission to set a near term goal of ensuring that the widest range of preferred resources can participate in meeting the flexibility requirements.<sup>6</sup>

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<sup>3</sup> See TURN Comments on the CAISO's Flexible Resource Adequacy Criteria and Must Offer Obligation (Fifth Revised Staff Proposal (January 31, 2014) p. 2.

<sup>4</sup> CAISO Draft Final Proposal on Flexible Resource Adequacy and Must Offer Obligations (February 7, 2014) p.32.

<sup>5</sup> Staff Proposal at pp. 14- 15.

<sup>6</sup> D.13-06-024 at 47-48 and 55, also Conclusion of Law 10 & 13.

### **3. Further Transparency is needed on the Development of the Flexible Capacity Requirements Study.**

The Staff Proposal indicates that the CAISO will submit the Flexible Capacity Requirement Study (the Study) to the Commission in May of this year.<sup>7</sup> LSA is concerned that the development of the Flexible Capacity Requirements (the FCR) does not have sufficient transparency and that the proposed timing will not provide an opportunity for that to occur in this proceeding. Last November, the CAISO launched a stakeholder process to address the development and refinement of the FCR with a stakeholder discussion on November 25, 2013. Since then, there has been no further public process at the CAISO. Should the CAISO not restart its stakeholder process, there will be little time or opportunity for parties to vet or review the results or underlying assumption of the Study either at the CAISO or the Commission prior to the issuance of the Proposed Decision in this proceeding. The August 2013 Scoping Memo indicated that the Commission, in this proceeding, would be identifying and assessing the assumptions underlying the calculation of the FCR.<sup>8</sup> However, the Staff Proposal is silent on this issue and given the proposed timing for submittal of the Study to the Commission on May 1st, it is unclear to LSA whether or not this effort has been contemplated. LSA therefore recommends that the Commission clarify this issue by setting forth a process and adequate time prior to the issuance of the Proposed Decision for an assessment of the Study and underlying assumptions.

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<sup>7</sup> Staff Proposal at p. 6

<sup>8</sup> Phase 3 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (August 2, 2013) p. 4.

Respectfully submitted this 24th day of February 2014, at Berkeley, California.

By */s/ Rachel Gold*

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