

INDEPENDENT ENERGY PRODUCERS

To: CAISO

From: Steven Kelly
Policy Director

Date: May 17, 2018

RE: FRACMOO Phase 2 Initiative: Second Revised Draft Flexible Capacity Framework Proposal

The CAISO released a Second Revised Flexible Capacity Framework (FRACMOO2) Proposal on April 27, 2018. A stakeholder meeting was convened on May 3, 2018. In response, the Independent Energy Producers Association (IEP) is pleased to provide these comments on the latest proposal for a flexible capacity framework. First, IEP addresses various proposals for re-configuring the CAISO stakeholder process to reduce overlap and economize on CAISO and stakeholder limited time and resources. Second, IEP addresses the specifics of the CAISO FRACMOO2 Proposal considering the existing overlap between the FRACMOO2 initiative and the DA Enhancement initiative.

I. Re-configuring CAISO Stakeholder Process

A number of parties remarked at the stakeholder workshop that various items of discussion in the FRACMOO2 Initiative overlapped with issues raised in the CAISO's Day-Ahead (DA) Enhancement Initiative. Parties suggested re-configuring the FRACMOO2 and DA Enhancement initiatives with the objective of removing the overlap and, thereby, ensuring a greater level of consistency in the proposal on those matters for which overlap exists. IEP supports re-configuring the two stakeholder initiatives to remove overlap.

The DA Enhancement Initiative proposes three primary changes: (a) modify DA hourly schedules to enable DA scheduling in 15-minute increments, (b) implement a new DA Imbalance Reserve market, coupled with a must-offer-obligation (MOO); and, (c) expand participation into

the CAISO day-ahead markets, including the DA Imbalance Reserve capacity market, to Energy Imbalance Market (EIM) participants. In parallel, the FRACMOO2 initiative deals primarily with items (a) and (b), i.e. the details of the market redesign.

IEP recommends that the CAISO consider one stakeholder initiative process to address the details associated with revising the DA Hourly Schedules and the creation of a DA Imbalance Reserve market. We recommend a second, separate stakeholder initiative conducted in parallel to address EIM expansion into the CAISO's DA markets. Bi-furcation of the issues in this manner would enable each initiative to proceed on its merits and on its own pace. Proceeding in this manner, for example, would enable FERC consideration of the DA Imbalance Reserve Market untethered to consideration of EIM expansion while reducing if not fully eliminating unhelpful overlap that is present currently.

II. Comments on FRACMOO2 Second Revised Draft Proposal¹

When commenting on the initial CAISO Straw Proposal in the DA Enhancement Initiative, IEP indicated general support for changes (a) disaggregation of DA hourly schedules into 15-minute scheduling increments and (b) creation of a DA Imbalance Reserve market.

On the other hand, we raised concerns regarding expanding the EIM into the day-ahead markets. For example, we raised concerns about comparable, non-discriminatory treatment of all resources located across the EIM footprint. Similarly, we raised concerns regarding the potential for an unlevel, competitive playing field in the DA CAISO markets to the extent, for example, resources participating in the DA Imbalance Reserve market are not subject to equivalent, non-discriminatory deliverability standards. Considering these concerns, IEP was pleased to see that the DA Enhancement Initiative committed to addressing in its next paper two critical subjects:

- (a) Deliverability of imbalance reserves; and,**
- (b) Procurement of ancillary services in the forward, Fifteen Minute Market (FMM).**

Absent re-configuration of the two initiatives as suggested above, IEP would like to see these issues addressed in the FRACMOO2 initiative as well to ensure consistency in policy development and market re-design. Furthermore, IEP requests that the next issue paper associated with the FRACMOO2 initiative address the following issues and specific questions:

¹ IEP's comments provided in Section II, herein, replicate the comments IEP submitted in the Day-Ahead Enhancement Initiative on May 2, 2018.

- **Resource Certification/Eligibility.** The CAISO has determined that it is not necessary to have a certification process for Imbalance Reserve resources. Rather, the resources ramp-rate associated with providing energy will determine the eligible quantity of imbalance reserve that can be awarded. (p. 22).
 - Please describe in greater detail the certification process (referenced on p. 22).
 - Please describe in greater detail the Sufficiency Test (referenced on p. 23, 31)?
 - How is the Sufficiency Test different than the current process used to certify resources to provide AS products/services?
- **Deliverability.** Recognizing the that CAISO plans to address deliverability in detail in the next paper, please address the following as well:
 - Will all merchant generators physically located in the EIM footprint have comparable access to the imbalance reserve market?
 - What will merchant generators located in the EIM footprint need to show to prove deliverability?
- **Maximum Import Capability (MIC).** A Load-serving Entity (LSE) using an EIM resource for flexible capacity must demonstrate sufficient Maximum Import Capacity (MIC). A “Purely External Resource” also must demonstrate that it has sufficient MIC.
 - Must resources located in the EIM footprint (e.g. “merchant generators”) bidding directly into the Imbalance Reserve market also demonstrate sufficient MIC?
 - Can merchant generators located in the EIM footprint obtain MIC allocations or, alternatively, are MICs allocated solely to LSEs and/or BAAs?
- **CAISO Dispatch Control.**
 - What is the definition of a resource (p. 23) scheduled in the Imbalance Reserve market? Is a resource unit-contingent, a “pool” of specified resources, or system power?
 - If deliverability is determined via allocation of the MIC, how will the CAISO have direct dispatch control over specific units as it would for Dynamically Scheduled resources?
- **Coordination between CAISO Imbalance Reserve market and CPUC Resource Adequacy (RA) program.**
 - Are changes in the CPUC RA program a pre-condition for changes in the CPUC Tariff? For example, the CAISO indicates that unless RA resources obtain a day-

ahead schedule, an ancillary service, or an imbalance reserve award, the RA resource will no longer have a real-time must-offer obligation (MOO). (p. 25).

- Will CAISO “control” over RA resources procured by load-serving entities (LSEs) under the jurisdiction of the CPUC differ from the CAISO control over resources selected in the Imbalance Reserve market? If so, how?
- **Merchant Generator Access to CAISO DA Imbalance Reserve market**
 - Can merchant generators external to the CAISO BAA participate in the Imbalance Reserve market without forming a BAA or joining a BAA? If not, why not?
 - Can merchant generators external to the CAISO BAA form their own BAA? If so, can these entities join the EIM? If not, why not?
- **Size of Imbalance Reserve Market.**
 - What is the gross amount of capacity expected to bid cleared through the Imbalance Reserve market?
 - What is the gross amount of capacity that could be supplied by resources located in the EIM footprint given existing transfer capability between EIM Participants and the CAISO?