



Flexible Capacity Product – Issues Regarding Cost-Causation and Calculation of the Flex Requirement



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Resource Adequacy and Procurement Oversight

California Public Utilities Commission





Issues

- Cost causation
- Secondary ramp





Overview: CAISO's Cost Causation Methodology

➤ Tariff requirements (40.10.2.1):

The CAISO will calculate the Local Regulatory Authority's allocable share of the Flexible Capacity Need as the average of the sum of its jurisdictional Load Serving Entities' change in load, minus the change in wind output, minus the change in solar PV output, minus the change in solar thermal output during the five highest three-hour net-load changes in the month.





Issues with Cost-Causation

Top Net Load Ramps	LSE1	LSE2	LSE3	Total Ramp		Top Net Load Ramps	LSE1	LSE2	LSE3	Total Ramp
1	-40	50	0	10		1	-40	70	-20	10
2	25	50	25	100		2	25	50	25	100
3	25	10	5	40		3	25	10	5	40
				150			10	130	10	150
							7%	87%	7%	
1	-400%	500%	0%	100%						
2	25%	50%	25%	100%						
3	63%	25%	13%	100%						
Total	-104%	192%	13%							
Total	-156.25	287.5	18.75	150						





Cost-Causation for Allocation to CPUC-Jurisdictional LSEs

- A number of parties supported the proposal to use a cost causation methodology.
- Number of issues raised:
 - Does it make sense to adopt cost-causation before adopting a durable flexible product?
 - Would it penalize those with larger renewable portfolios and would this make sense?
- D.16-06-045 encouraged ED and parties to consider relevant proposals





Cost-Causation Issues

- Issues in CAISO's methodology raised above likely need to be addressed.
- Would it make sense for ED to explore other cost causation and/or the CPUC to adopt a method different CAISO?
 - Consistency could be important.
 - On the other hand, CAISO currently allocates to the CPUC so as long as CPUC allocates the sum or the requirements to jurisdictional LSEs, this should not be an issue.





Cost-Causation Issues, cont.

- Should flexible capacity allocations be a collective responsibility (e.g., similar to the manner in which we allocate local capacity)?
- Using cost-causation, what happens to flex obligation if/when customers move to CCA?
- If a multi-year flex requirement were adopted, how would the CPUC fairly allocate among LSEs with different contracting horizons?





Summer Issues

- Flex 1 category set based on secondary ramp, but in the summer, secondary ramp is more often part of one long ramp.
- Requirement should be based on actual secondary ramp.
- This is important because of Flex 1 category requires 2 starts/day, and we should not procure starts and/or resources if not needed for planning purposes or for reliability.