



Agenda

Technical Conference on Flexible and Local Resources Needed for Reliability in the California Wholesale Electric Market

Docket No. AD13-5-000

July 31, 2013

9:00 a.m. – 4:30 p.m.

**California Environmental Protection Agency Headquarters Building
1001 I Street, Sacramento, California 95812**

The technical conference is intended to facilitate a structured dialogue on the reliability and risk-of-retirement concerns raised in the FLRR proceeding, including discussion of the possible development of a durable, market-based mechanism to provide incentives to insure reliability needs are met.

The CAISO and CPUC staff recently announced a joint Multi-Year Reliability Framework proposal (joint proposal) for revising the CPUC's resource adequacy program and CAISO's capacity procurement mechanism tariff provisions, that is related to this subject.¹ Thus, this technical conference will also examine whether and how the joint proposal addresses the reliability needs raised in the FLRR proceeding.

Following a presentation by CAISO and CPUC staff, the conference will be divided into two panels. The first panel will examine the reliability issues raised in the FLRR proceeding and will also consider implications of the joint proposal for a Multi-Year Reliability Framework. The second panel will review possible solutions to the concerns that were raised in the FLRR proceeding as they pertain to flexible and local resources and whether the joint Multi-Year Reliability Framework offers a potential solution. This

¹ See http://www.caiso.com/Documents/NewStakeholderInitiativeMulti-YearReliabilityFramework_ISO-CPUCJointWorkshopJul17_2013.htm.

notice provides focus areas around which speakers should concentrate their comments. Each panelist should limit his presentation to 8 minutes. The panels will be followed by questions from Commissioners and CPUC and FERC staff, with an opportunity for audience members to participate.

Technical Conference Schedule

9:00 am- 9:15 am Opening Remarks

Greeting and Opening Remarks

9:15 am – 10:15 am Joint CAISO/CPUC presentation

The presentation is expected to last 30 minutes and will be followed by Q&A.

10:15 am – 11:15 am Panel discussion on the risk-of-retirement problem and its contribution to reliability

Each panelist should limit his presentation to 8 minutes. The panel will be followed by questions from Commissioners and CPUC and FERC staff.

Panel one will be comprised of:

- Todd Strauss representing Pacific Gas & Electric Company;
- Pedro Pizarro representing Edison Mission Energy;
- Gary Ackerman representing Western Power Trading Forum;
- Kevin Woodruff representing The Utility Reform Network;
- Carl Zichella representing the National Resources Defense Council; and
- Kevin Carden representing Astrape Consulting.

Questions for Panel One: With respect to the reliability concerns raised in the FLRR proceeding, staff requests that panelists include in the presentations discussion of some of the questions below.

- In the FLRR proceeding, CAISO identified reliability concerns resulting from the retirement of resources needed for reliable operations. Are the resources necessary to ensure reliability over a forward looking period entering the market? If not, why not? For instance, how do the current CAISO market and bilateral capacity market structures influence resources' decisions to enter the market or retire? Are additional compensation structures required to ensure that resources needed for reliability are available over a forward period? What factors, besides compensation, may be influencing retirement and entry decisions in CAISO?
- What sort of operational and reliability conditions, including those that could lead to NERC/WECC reliability standard violations, will CAISO face based on assessments of a

forward-looking period including projections of resources that enter the market, resources that will retire, load projections, demand response, etc.?

- What are the appropriate planning and operating assumptions to use in determining the forward-looking system needs for flexible resources that are needed to ensure overall system reliability? How much flexible capacity will be needed to ensure that the resource mix in CAISO is able to ensure reliable operations?
- How would a resource qualify as a flexible resource and what is an appropriate range of performance characteristics? Should there be an ongoing certification process for flexible resources? What other resource characteristics are important to ensure reliability in CAISO?
- Are there barriers to extracting flexible capability out of the existing fleet of resources?
- What are the causes of a resource being at risk-of-retirement? How is the market informed that a resource is at risk-of-retirement?
- How should local capacity needs and potential reliability issues associated with deliverability be addressed? Does the need to retain resources for local reliability require a mechanism that is unique from a market-based option for flexible capacity retention?
- What are the appropriate procurement targets for system, flexible and local capacity in the two- and three-year forward periods? How should the technical assessment be updated from year-to-year to account for changing market conditions, changing system configuration and changes in demand over the forward period?
- Would the provision in the joint proposal to limit load serving entities' participation in the residual capacity auction impact the effectiveness of forward procurement for reliability purposes? Why or why not?

11:15 am - 12:15 pm Open Discussion Time

12:15 pm – 1:15 pm Lunch

1:15 pm -- 2:30 pm Panel discussion exploring whether a multi-year resource adequacy framework with a CAISO backstop is a solution to risk of retirement

Each panelist should limit his presentation to 8 minutes. The panels will be followed by questions from Commissioners, CPUC and FERC staff.

Panel two will be comprised of:

- Marc Ulrich representing Southern California Edison Company;
- Mark Smith or Matthew Barmack representing Calpine;
- Tony Braun representing California Municipal Utilities Association;
- Joe Como representing the CPUC Division of Ratepayer Advocates;
- Steven Kelly representing the Independent Energy Producers Association;
- Mike Evans representing Shell Energy; and

- Michael Milligan representing National Renewable Energy Laboratory.

Questions for Panel Two: With respect to the concerns raised in the FLRR proceeding regarding a market-based means of addressing forward-looking system, local and flexible needs, including when resources are at risk of retirement but needed in future years for reliability, staff requests that panelists include in the presentations discussion of some of the questions below.

- What are the preferred market-based solutions that could be used to address the forward flexible and local reliability concerns raised in the FLRR proceeding?
- How would a forward procurement requirement, along with specific procurement targets for flexible and local resources, affect bilateral contract prices?
- Would the joint proposal's combination of multi-year ahead flexible capacity obligations procured through bi-lateral contracts, or via CAISO backstop procurement, provide sufficient revenues to resources?
- Will the joint proposal's limited forward procurement of flexible and local capacity pursuant to a three-year forward resource adequacy obligation backed by a market-based CAISO backstop procurement mechanism provide sufficient procurement tools and sufficient additional revenue to mitigate the risk of retirement and retain needed flexible and local resources?
- Will the joint proposal's voluntary backstop capacity market, along with market power mitigation measures, provide sufficient replacement for the capacity procurement mechanism when it sunsets in 2015? If a mechanism like the joint proposal were implemented, would CAISO still need an interim risk-of-retirement backstop mechanism and what would any such backstop mechanism look like?
- Is there a mechanism needed prior to the potential implementation of the joint proposal? For instance, is an interim mechanism necessary to procure resources at risk of retirement that are needed for flexibility? If so, what kind of mechanism?
- With respect to the goal of retaining flexible and local resources for reliability purposes that may be at risk of retirement, what alternatives to the joint proposal should be considered?

2:30 pm – 2:45 pm Break

2:45 pm – 4:15 pm Open Discussion Time

This time will be reserved for follow-up discussion on any issues raised during the panel discussions, or to address miscellaneous concerns related to the Multi-Year Reliability Framework, including questions or comments from members of the audience.

4:15 pm – 4:30 pm Closing Remarks