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Comments to the Revised Draft Final Proposal for Flexible Ramping Product

Submitted by	Company	Date
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Brookfield Energy Marketing LP ("Brookfield") submits the following comments to the Revised Draft Final Proposal dated August 14, 2012. Our comments are specific to the cost allocation and PIRP enhancements.

Brookfield supports the CAISO proposal to implement PIRP DEC bidding in tandem with the implementation of the flexible ramping product. This is an important step to provide intermittent resources some flexibility to manage and offset costs. It will also allow intermittent resources the opportunity to provide flexible ramping down to the CAISO market while still operating within the PIRP program. Brookfield greatly appreciates the CAISO's responsiveness to stakeholder comments in this regard.

While we support a number of the proposed elements of the cost allocation proposal such as the 3% threshold in the supply category, netting within resource categories and the monthly re-settlement provision, there are still several unresolved issues that the CAISO must address prior to finalizing this proposal.

1) Cost allocation to imports in the static ramp category

Costs for flexible ramp can not be managed or controlled by the market participant importing power into the CAISO control area. The fact that import and export schedule ramps are fixed for the hour is an issue between balancing authorities, is not due to the market participant's scheduling or operational behavior, and can not be controlled. In addition, the generator that resides in the balancing authority that is producing the imported power being sent to the CAISO will pay for any incremental or decremental services to their local BA. We realize these costs are different then flexi-ramp but nonetheless the generator is already paying for any deviations from its schedule.

The argument here is synonymous to the arguments made throughout this stakeholder process by intermittent resources in that import and exports will be allocated flexi-ramp costs merely because they exist due to their unique operating characteristic. However, in this case there is absolutely no way for the market participant to avoid the costs other than to submit a flat schedule across all hours, which seems to move away from what could be beneficial to the CAISO, or to not import the power at all. Other resource types do have some means to avoid or at least offset costs through the submission of economic bids and by following dispatch instructions.

While we understand the CAISO's challenge in having to honor the fixed ramps of intertie schedules, these set ramps due are known by the CAISO ahead of time, can be managed and should be viewed differently then unexpected potential movements that drive procurement of flexible ramp.

While it makes sense for dynamic imports to be allocated costs for flexi ramp as they can follow dispatch and manage their deviations, it does not make sense for pre-dispatched imports and exports to be assessed these costs for the reasons we describe above.

We request the CAISO to modify the proposal and to exclude imports and exports from the allocation of flexible ramp costs at least until such time modifications are made to the market design that would allow more granular submission of bids and movement on a sub-hourly basis. At that time cost allocation to intertie schedules can be re-evaluated.

2) Impact to existing PPAs as a result of new cost allocation proposal

Multiple parties, including Brookfield, have alerted the CAISO of the economic harm to existing renewable PPAs that could result from the new flexi-ramp cost allocation proposal. When this issue was raised again in the August 16 stakeholder meeting the CAISO requested that market participants provide more information on the magnitude of contracts negatively impacted by the proposal before any steps would be taken to address the issue. It isn't clear why the CAISO needs to account for the volume of contracts before taking action as that has not proved to be necessary in other stakeholder initiatives such as Standard Capacity Product (SCP) where the CAISO agreed to grandfather existing contracts from SCP that were signed prior to a certain date. Whether the issue is large or small the CAISO should ensure that existing contracts are not harmed by the new proposal.

We support the recommendation made by CalWEA, IEPA, Sempra and others[1] which is for the CAISO to allocate flexible ramping costs directly to the Scheduling Coordinator of the LSE that receives the output of the generator. This would address any issues with

[1] Comments of the California Wind Energy Association, IEP and Sempra to July 11, 2012 Flexible Ramping (FR) Product Supplemental: Foundational Approach

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existing contracts that have no means to pass through costs to load. It would also appropriately align costs with procurement practices. The other alternative is for the CAISO to exempt existing contracts from the new cost allocation proposal.

3) Issues raised regarding accuracy of 15 minute VER forecast

Several market participants have raised concerns regarding the accuracy and the availability of the 15-minute VER forecast provided by the central forecasting service that is proposed to be used for both the baseline to measure deviations for cost allocation for VERs and also to determine the downward dispatchable headroom for providing flexible ramping down. We request the CAISO respond to stakeholder concerns regarding the forecast and clarify whether the 15-minute forecast can effectively be used for the purposes proposed as it stands today and if not what enhancements may be necessary. We consider the CAISO's proposal to use the 15 minute forecast as a positive step forward but we want to make sure this proposal is feasible and will work as intended.

4) Plans for other future enhancements to lower renewable integration costs

The addition of DEC bidding for PIRP resources is a positive step. However, as we have stated in prior comments, we continue to request the CAISO to continue to evaluate additional market design enhancements that will lower the integration costs of intermittent resources. Those enhancements again are: 1) modified market timelines to allow intermittent resources to update schedules closer to real-time in order to increase accuracy and reduce schedule deviations, 2) more granular scheduling, and 3) further incentives to reduce self-scheduling by supply fleet overall.

Brookfield appreciates the opportunity to submit these comments for consideration and requests the CAISO act on the recommendations provided herein.