

# Comments on Flexible Ramping Product Revised Draft Final Proposal

Department of Market Monitoring

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The Department of Market Monitoring (DMM) appreciates the opportunity to provide comments on the Flexible Ramping Product Revised Draft Final Proposal.

DMM supports the flexible ramping product (FRP) design as a more effective way of procuring flexibility than the current flexible ramping constraint. It is DMM's understanding that the ISO proposal is intended to replace the flexible ramping constraint in the near term and that there will be future stakeholder processes to consider potential refinements and enhancements. DMM looks forward to these future stakeholder processes.

While we strongly support the proposal overall, we suggest further refinements to the ISO's proposal to allocate some of the FRP costs to dispatchable resources and non-dispatchable resources, such as variable energy resources (VERs), that did not cause FRP to be procured.

Under the current proposal, the ISO will not be procuring any FRP to cover the uncertainty created by uninstructed deviations. However, uncertainty caused by uninstructed deviations of dispatchable resources could be included in the demand curve used to procure FRP.<sup>1</sup> Therefore, the ISO's proposal to allocate FRP costs to the Uninstructed Imbalance Energy (UIE) of these resources could be further refined.<sup>2</sup>

The ISO is proposing to allocate FRP costs to dispatchable resources based on UIE in order to provide additional incentive for resources to follow dispatch instructions. However, this approach allocates FRP costs to dispatchable resources that did not cause FRP to be procured. Moreover, FRP procured to meet ramp needs caused by VER uncertainty is entirely captured by allocating costs to VERs based on their forecast errors between the advisory and binding intervals. Therefore, the ISO should not add UIE, or any measure of uninstructed deviation, to the cost allocation for VERs.

It is not known if the FRP costs allocated to UIE would be significant or not. But such an allocation could be refined to better reflect cost causation and accurate pricing principles. Fortunately, this refinement would be simple and have no effects on the remainder of the existing design. The ISO could simply remove UIE from the cost allocations within the supply category, until such time as the ISO is able to make future enhancements to the Flexible Ramping Product design that include actually procuring FRP to account for uninstructed deviations.

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<sup>1</sup> For details on incorporating deviations, see DMM's comments on the Draft Final Proposal Technical Appendix: <http://www.caiso.com/Documents/DMMComments-FlexibleRampingProduct-RevisedDraftTechnicalAppendix.pdf>.

<sup>2</sup> Particularly because UIE does not accurately reflect the procurement needs driven by uninstructed deviations.