

**Comments on Flexible Ramping Products Revised Straw Proposal  
Incorporating FMM and EIM**

**Department of Market Monitoring  
September 11, 2014**

The Department of Market Monitoring (DMM) appreciates the opportunity to provide comments on the Flexible Ramping Products Revised Straw Proposal. DMM is supportive of the Flexible Ramping Products as a more effective way of ensuring operational flexibility than the current flexible ramping constraint. Several issues and comments are presented below.

- **Penalty Price on Minimum Requirement** – The proposal includes a \$247 penalty price if the expected ramp (or minimum requirement) is not met. However, the same methods used to calculate the remainder of demand curve can be used to calculate the value of this first segment of the demand curve. It is unclear why an administrative price should be used when the means exist to calculate the demand curve in a consistent manner across the entire range of capacities (with any necessary monotonicity adjustments).
- **Mathematical Specification of Forward FRP Demand Curves and Awards** – Inconsistencies between the Day-Ahead and Fifteen-Minute Market Flexible Ramping products could result in significant market inefficiencies. The different granularity of intervals in each market creates design problems that may not be adequately addressed in the ISO's proposal. It would be helpful if the ISO clarified the proposed construction of Day-Ahead and Fifteen-Minute Market demand curves. Providing equations and examples would help greatly in understanding what is being proposed before further assessing the methodology. Doing the same for how the Day-Ahead and Fifteen-Minute Market awards are generated and settled against each other and the Real-Time Dispatch would also be very helpful.
- **Separate FRP offer prices/bidding** – DMM does not support separate FRP offer prices that do not represent marginal costs to providing the FRP capacity. Unless such costs are demonstrated, DMM supports the proposed FRP bid cap of \$0 in the Day-Ahead market.
- **Day-Ahead FRP Megawatt Capacity Offers** – The revised straw proposal includes provisions for resources to cap the maximum quantity of capacity that can be procured in the Day-Ahead market. Before moving forward with this option, the CAISO should consider reviewing:
  - Whether this option should apply to all resources or only those resources with some sort of physical or contractual use limitation (i.e. whose ramp rates in the Day-Ahead market differ from the effective ramp rates in the Real-Time market).
  - What effect this option will have on incentives to provide flexibility.