

Stakeholder Comments Template

Flexible Ramping Products Straw Proposal

Submitted by	Company	Date Submitted
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With the posting of the Straw Proposal, the CAISO made a significant step forward in providing the substantive details about how flexible ramping products might be competitively bid, priced and procured by the CAISO. GenOn supports the CAISO's transition from the flexible ramping constraint to the forward procurement of these new ancillary service products. While the paper provides many details on the mechanics of procurement, dispatch and cost allocation, several questions should be answered in the Revised Straw Proposal that the CAISO plans to publish on November 28.

As noted in GenOn's previous comments, the CAISO should increase its procurement of non-contingent spinning reserve to achieve the increased ramping capability that the flexible ramping constraint is designed to assure unless the schedule for new products developed through this process can be implemented quickly. In developing its recommendation for new flexible ramping products, the CAISO should commit to implementation by early 2013, or provide further details on how increased procurement of spinning reserve might be used as an interim measure.

The Straw Proposal clearly represents an enormous investment of time and thought by CAISO staff, and GenOn offers the following questions in the spirit of assisting the CAISO in explaining and refining the details of the proposal.

How will requirements be determined and what information will be published?

The Straw Proposal explains that the requirements for flexible ramping up and down in both the day-ahead market and RTPD will be based on "anticipated variations and uncertainties between RTPD and RTD." The Straw Proposal makes reference to use of a "recourse function" a term used in "stochastic optimization." The CAISO should provide additional details regarding the basis for this method and the practical implications in its market design, and address the following specific questions:

- 1) How will these anticipated variations and uncertainties be documented?
- 2) Will a particular confidence level be established as a procurement target?

- 3) The Straw Proposal states that every day the ISO will publish the month to date flexible ramp cost procured, the MWh deviations subject to cost allocation, and the rate per MWh for deviations for both products and for each of the three cost allocation buckets. What other information will be published?
 - a. Will the CAISO publish the historic distributions and analysis of the distributions used to characterize these variations and uncertainties?
 - b. Will the CAISO provide the statistical analysis supporting its procurement target?
- 4) Will the CAISO propose to have the authority to procure more or less capacity than the specified confidence level and the historic data would indicate? If so based on what criteria?

How will the products be dispatched and what impacts will result?

- 1) Are all ramping shortages the CAISO experiences attributable to “realized uncertainties” that occur after RTPD? Would the CAISO never incur a ramping shortage if the CAISO were able to perfectly forecast energy requirements for every 15 minute interval in RTPD?
- 2) The paper states that after the uncertainties are realized in RTD, the maximum dispatch of the flexible ramping product is the total “realized uncertainties” and that the undispached product in RTD should be at least equal to the difference between the RTPD requirements and these “realized uncertainties.” How will this be made transparent? Will the CAISO be publishing data on “realized uncertainties” by 5-minute interval?
- 5) The Straw Proposal states that the “RTD energy price will be determined by true market bids, and will not be contaminated by arbitrary penalty prices to protect the flexible ramping capabilities.” However if flexible ramping capacity is withheld from some intervals, and dispatched in others, it would seem that there will be downward pressure on energy prices in intervals with greater imbalance energy need (when the flexible capacity is released), and upward pressure on energy prices in intervals with less imbalance energy need (when the flexible capacity is withheld). The CAISO should explain the energy price impacts it expects in the Revised Straw Proposal.

The Straw Proposal indicates that the CAISO will publish additional information in the Revised Straw Proposal on resource qualifications, bidding rules, day-ahead procurement, substitution between non-contingent reserves and the flexible ramping products and settlements. GenOn looks forward to this additional information, and appreciates the opportunity to provide these comments and questions in support of further refinement of the CAISO’s proposal.