

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
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<p>Please use this template to provide written comments on the revised draft final proposal for the Flexible Ramping Product initiative posted on December 17, 2015.</p> <p><a href="mailto:Please_submit_comments_to_initiative@caiso.com">Please submit comments to initiative@caiso.com</a> by close of business January 12, 2016</p>		

The revised draft final proposal is available on the ISO website at:

<http://www.caiso.com/Documents/RevisedDraftFinalProposal-FlexibleRampingProduct-2015.pdf>. Other related materials are available at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleRampingProduct.aspx>

Please use the following template to comment on the key topics addressed in the initiative proposal.

### 1. Overall design

#### Comment:

LSA is concerned about several aspects of the current design, as explained further below.

**Recent design changes:** LSA is particularly concerned about new provisions that require any resource to provide this product when selected through the market optimization (i.e., no separate market bids). The opportunity-cost-based compensation is insufficient for projects paid on a per-MWh under their PPAs, and (unlike reactive-power provision outside the required power-factor range, where such dispatch is likely to be infrequent), FRP needs would likely be routine, making compensation provisions a much larger issue.

**Cost allocation:** Despite CAISO statements to the contrary, the new cost allocation seems more complicated than before (with separate settlements for FRP for “forecasted movement” and FRP for “uncertainty”), and even the prior settlement methodology was overly complex. Based on Flexible Ramping Constraint results to date, it is likely that FRP costs will not be large; it would be better start with a simpler cost allocation and consider refinements if and when costs turn out to be significant.

Along those lines, LSA still believes that FRP is effectively an Ancillary Service that should be allocated to load, like any other Ancillary Service. The FRP is increasingly similar to the MISO Flexible Ramping Capability product, which LSA believes to be a positive development generally.

The major remaining difference from the MISO product is the cost allocation. If the product “reduces the curtailments and price spikes” as it is designed to do, then it should reduce the cost of serving load. If so, then load would directly benefit and should bear the cost of the product (as in MISO).

LSA understands the CAISO's rationale for deviating from the MISO cost allocation methodology (slightly higher Net Load variation from generation on CAISO's system than on MISO's). However, FERC has already approved MISO's proposal, and the CAISO proposal would be stronger (and less open to challenge) following this precedent.

## **2. Procurement only in real-time market**

### **Comment:**

LSA is more concerned about the procurement methodology than the timing. As noted above, lack of a separate bidding mechanism that would procure FRP only from resources specifically bidding the product is a concern, since any resource could now be selected to provide the service and the compensation does not cover opportunity costs for asynchronous generators.

## **3. Settlement of forecasted movement**

### **Comment:**

As noted above, the cost allocation is overly complex. Moreover, the use of CAISO forecasts to settle costs, even where asynchronous generators are scheduling using their own forecasts, is unfair and discriminatory, since generators have no control over those CAISO forecasts. At a minimum, the generator schedules should be used where it can be shown that they are more accurate than the CAISO forecasts.

## **4. Settlement of uncertainty**

### **Comment:**

LSA has no comment on this issue, other than the earlier comments that the settlements are overly complex.

## **5. Demand curve for uncertainty**

### **Comment:**

LSA has no comment on this issue.

## **6. Double payment rules**

### **Comment:**

The CAISO proposal seems generally fair on this point.

## **7. Other**

### **Comment:**