

## CAISO Pay for Performance Regulation – Stakeholder comments

Submitted by	Company	Date Submitted
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LS Power appreciates the opportunity to submit comments on CAISO's Pay for Performance Regulation initiative. LS Power understands that CAISO is proposing to implement these two changes: (1) Modification of the monthly accuracy calculation from a simple average to a weighted average and (2) Reduction of the minimum performance threshold to 25%. LS Power suggests that the CAISO should include these proposed edits in the Final Pay for Performance Proposal:

- (1) Revise the proposal to include a set timeline for periodic reviews of Minimum Performance Threshold to see if 25% threshold should be increased. We suggest that first such review should take place no later than the end of 2015 and then subsequently every 6 months. As more Fast Ramping resources are added to the grid, the risk of "Regulation Asset Decertification" should reduce, in which case the threshold should be increased to 50% or higher. The overall market will be better served if the threshold is higher and this should be achieved no later than end of 2018. We understand that CAISO intends to conduct such periodic reviews in future, but we believe identifying the timeline for such reviews will serve stakeholders better.
- (2) Revise the proposal to include a timeline to review how Pay for Performance has been working for new "Fast Ramping" resources. We understand that a few such resources have been recently added to the CAISO grid and that these resources are participating in CAISO's Regulation market. We request that CAISO provide a report to the stakeholders in the next six months on how "Pay for Performance" component of Regulation market has been working for these Fast Ramping resources. Per the Draft Final Proposal, CAISO contends that the Pay for Performance currently does not show much financial incentives because there are no Fast Ramping resources on the grid. We believe having at least six month of performance data for these new resources should provide good insights into how Pay for Performance for such resources works.
- (3) Correct implementation of Pay for Performance may need a Market Redesign. CAISO should put a placeholder for a new stakeholder initiative that may be needed next year to discuss Market Design changes for Pay for Performance. This will be even more necessary if the operational history of newly integrated Fast Ramping resources shows no improvement in Pay for Performance.

LS Power appreciates the opportunity to submit these comments and stands committed to assisting CAISO, as needed.