

Additional Stakeholder Comments

Flexible Ramping Products Incorporating FMM and EIM Revised Straw Proposal

Submitted by	Company	Date Submitted
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The following are additional Southern California Edison’s (SCE) comments on the California Independent System Operator’s (CAISO) August 13, 2014, Revised Straw Proposal¹. These comments supplement SCE’s published comments² and focus singularly on the cost allocation proposal.

SCE understands the CAISO proposal for FRP cost allocation regarding Load, Internal Variable Energy Resources (VER), and Dynamic Transfers (DT) to be:

	Uninstructed Imbalance Energy (UIE) defined	FRP Cost Allocation
Load	Day Ahead Schedule – Metered Demand	UIE
VER Self Schedule	Forecast – 5-minute Meter	5 minute SS + UIE
VER Economic Bid	Forecast – 5-minute Meter	UIE
Dynamic Transfer VER Self Schedule	Forecast – 5-minute Meter	5 minute SS + UIE
Dynamic Transfer non-VER Self Schedule	5-minute SS – 5-minute Meter	UIE
Dynamic Transfer Dispatchable	Instruction – 5-minute Meter	UIE

If the CAISO disagrees with SCE’s understanding, it should provide a clarification.

¹ http://www.caiso.com/Documents/RevisedStrawProposal_FlexibleRampingProduct_includingFMM-EIM.pdf

² <http://www.caiso.com/Documents/SCEComments-FlexibleRampingProductRevisedStrawProposal.pdf>

SCE finds the general approach to determining “use of FRP” for these six categories reasonable with one exception: SCE opposes the different treatment of VERs – Economic Bid (EB) vs. Self Schedule (SS). SCE understands that both SS VERs and EB VERs are typically treated identically by the ISO in all other aspects. Only in circumstances where the EB would change production from forecast based on CAISO economic instruction is there any different treatment. Thus, both types should be treated identically, except when the EB results in a change in production in response to CAISO instructions.

Consider the following example. Two identical 100 MW wind units, one SS, one EB. Assume the typical bid for the EB, “full production (based on wind) unless the energy price goes negative, in which case, take the output to 0 MW”.

Time	t	t+5
Forecast	N/A	93 MW
Actual	100 MW	95 MW

At time t, both units are at 100 MW output, then forecast to 93 MW. Each unit’s actual at t+5 turns out to be 95 MW, and the energy price stays positive. Both units created exactly same demand for FRP, of 7 MW each, and should be billed the same. But under the CAISO proposal, the SS VER is charged based on 7 MW of deviation, while the EB unit is only charged for 2 MW of deviation. For emphasis, both units performed exactly the same way and used the exact same amount of FRP. Why then should the EB VER escape 5 MW of cost obligation? This result is neither just nor reasonable³.

SCE understands that the CAISO wants to encourage economic bidding. But the CAISO has no defensible basis to incentivize “economic bidding” by waiving FRP costs. Furthermore, other tools, such as the negative bid floor, and Flexible Capacity already provide direct and proper incentives to encourage economic bidding. Finally, it is inappropriate to violate cost causation just to provide an incentive.

³ Assume a second case where prices go negative and the CAISO dispatches the EB VER down to 0 MW (CAISO exercises the economic bid). If the unit performs as instructed, it should not be assigned any FRP costs. If instead of perfect performance, unit output drops only to 10 MW, it should only be allocated FRP costs based on its 10 MW UIE. However, outside of an CAISO economic dispatch, the EB VER should be treated the same as the SS VER, for cost allocation, to ensure a just and reasonable outcome.

In conclusion, SS and EB VERs should both be allocated costs based on the same cost causation principles. In the example above, both units should be charged based on 7 MW of deviations. SCE requests that the CAISO modify the proposal accordingly.