Stakeholder Comments

Flexible Ramping Products Incorporating FMM and EIM Revised Straw Proposal

Submitted by	Company	Date Submitted
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The following are Southern California Edison's (SCE) comments on the California Independent System Operator's (CAISO) August 13, 2014, Revised Straw Proposal[1]. SCE asks the CAISO to: 1) provide additional clarification on the proposal, including the release of data needed to determine the procurement targets and demand curves; 2) perform simulation prior to finalizing the proposal; and 3) include a location procurement component as part of the initial design.

1. **The CAISO should provide an actual processing of the flexibility requirements determination.**

   The CAISO should use actual data on the methodology outlined on pages 13, 14 (bullets "a" through "k") of its Proposal. The data should comprise, at minimum, two adjacent five-minute intervals, two adjacent fifteen-minute intervals, and two adjacent hour intervals. These should be used to demonstrate procurement for five minute RTD, fifteen minute market, and DA, respectively. Historic, 30 day, 5-minute data relevant to the two five-minute intervals should also be provided in order to provide complete, start-to-finish, detailed demonstration of the Proposal's needs determination process. Demand curve data and derivation should accompany this process since the CAISO proposes the usage of demand curve procurement in all three timeframes, as well as exclusively demand curve procurement in the DA, hourly timeframe.

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

2. **The CAISO should perform a detailed Simulation before finalizing FRP.**
   As echoed by the Market Surveillance Committee (MSC)[2], the CAISO should perform a simulation of its entire proposal. This would enable the CAISO to determine whether the proposal meets anticipated needs and to fine tune the proposal for any unmet needs. The CAISO should provide itself such flexibility to ensure that the proposed design works as intended. SCE strongly encourages the CAISO to perform simulation, and share results with market participants before finalizing the design.

3. **The FRP proposal requires a regional component to be reasonable.**
   In the 2012 state of the market report, the Federal Energy Regulatory Commission (FERC) stated,
   "CAISO implemented the constraint for the ISO as a whole, rather than for specified locations. This failed to prevent insufficient ramp capability to meet load ramping needs around San Diego in summer 2012."[3] If FRP procurement stays systemwide, it may fail to provide the need it is trying to meet.

   SCE supports such a position and strongly recommends the CAISO introduce a regional component to FRP procurement. At this stage, SCE would support something as simple as using the existing AS regions[4]. The zonal procurement will better ensure that FRP is procured in the appropriate regions when needed.

   Moreover, without at least some basic locational procurement, the CAISO will likely procure FRP that becomes "trapped" due to congestion and unable to provide benefit to the grid. In turn, the CAISO would likely have to increase procurement targets in the hope of securing resources in the correct area. The CAISO should avoid this unreasonable and inefficient approach by instituting regional procurement targets. Moreover, a simulation may help the CAISO determine the appropriate regions.

[2] August 22, 2014 meeting.
[3] Page 23. http://www.ferc.gov/market-oversight/reports-analyses/st-mkt-ovr/2012-som-final.pdf
[4] We note that while A/S is procured on a regional basis, the CAISO allocates costs system-wide. SCE suggest the CAISO follow this same approach (regional procurement/system-wide costs allocation) for FRP. The system-wide cost allocation ensures that all those who benefit from this grid reliability product also pay for it.