

## Stakeholder Comments

### **Flexible Ramping Products (FRP) Incorporating FMM and EIM Draft Technical Appendix**

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) June 10, 2015, Draft Technical Appendix<sup>1</sup>. SCE thanks the staff for providing this publication to stakeholders.

SCE understands and appreciates the CAISO concerns over large ramping events and the need to maintain flexibility in the system to address these operating conditions. As such, SCE has supported the introduction of “flexible capacity” and SCE remains supportive of a workable flexible ramping product. However, SCE continues to have material concerns with the current proposal and cannot offer its support to the proposal until the concerns have been addressed.

#### **SCE cannot not support the proposal until the CAISO first demonstrates virtual bidding functions efficiently within the FRP design**

The CAISO should explain the interaction of virtual bids with the flexible ramping products. With FRP only procured in the Real Time Market (RTM), the CAISO’s RT model and its method for energy price formation would differ dramatically from that used in the Day Ahead Market (DAM). Flexible ramping constraints that are part of the FRP model will likely drive RT prices higher. Virtual bidders will exploit any systematic difference in price formation between the DAM and RT. The CAISO is yet to discuss any consideration of virtual bidding and FRP together. SCE requests the Department of Market Monitoring (DMM) and the Market Surveillance Committee (MSC) investigate this design, and comment on the functioning of virtual bids in light of the FRP design. Until the CAISO can demonstrate that FRP works efficiently with virtual bidding, the FRP design is not complete or sufficient. And, as such, as a deficient design proposal it should not move forward.

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<sup>1</sup> [http://www.caiso.com/Documents/DraftTechnicalAppendix\\_FlexibleRampingProduct.pdf](http://www.caiso.com/Documents/DraftTechnicalAppendix_FlexibleRampingProduct.pdf)

**SCE questions the reasonableness of any proposal that does not include regional procurement of FRP**

As SCE has stated in the past, SCE would support even a simple proposal such as using the existing Ancillary Services (AS) regions. Without a locational component, the CAISO may buy FRP that gets stranded due to congestion, and the FRP is unable to serve the need for which it was procured. This will lead to the CAISO likely increasing procurement targets for the affected areas. Such an outcome would be unreasonable and inefficient.

**The CAISO proposal cannot be properly understood until the CAISO demonstrates the outcome of its proposed model processing market data from start to finish**

SCE reiterates its prior comments<sup>2</sup> from January 2, 2015. Until the CAISO provides a detailed numerical walkthrough that simulates the entire FRP mechanism, SCE does not feel that it can understand the CAISO's proposal any better since the CAISO's last publication. As SCE has stressed in its prior comments, such a simulation should use actual market data and be a walkthrough from need determination through monthly resettlement. SCE understands that the CAISO intends to provide such a walkthrough simulation. SCE reserves its policy decision until the walkthrough, contingent on the CAISO demonstrating efficient functioning of FRP in the presence of virtual bids and including a locational component toward FRP procurement.

**The CAISO should measure unavailable FRP capacity similar to the rules used for the existing Flexible Ramping Constraint (FRC)**

In its draft technical appendix, the CAISO has requested that stakeholders consider alternatives toward measuring unavailable FRP capacity to determine buyback. SCE recommends that the CAISO employ the existing FRC buyback approach toward FRP. The FRC availability evaluation takes into account the No Pay quantity assessed for higher quality Ancillary Services products, such that Flexible Ramping Product does not pre-empt the capacity previously awarded for AS.

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<sup>2</sup> [http://www.caiso.com/Documents/SCEComments\\_FlexibleRampingProduct-DraftFinalProposal.pdf](http://www.caiso.com/Documents/SCEComments_FlexibleRampingProduct-DraftFinalProposal.pdf)