SDG&E Comments on the November 1, 2011 Flexbile Ramping Product Straw Proposal

Submitted by	Company	Date Submitted
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SDG&E appreciates the CAISO's efforts to develop the Flexible Ramping Product (FRP) as a market-based approach to improve real-time operation and reliability. SDG&E submits these comments for consideration in this stakeholder process to improve the final outcome.

1. The proposal calls for withholding FRP capacity from RTD except to address realized RTD uncertainties, i.e. energy requirements that deviate from the RTPD forecast. SDG&E questions why the existing dispatch process must change simply because of a modification to the unit commitment process. Interval to interval changes in energy requirements are expected and occur routinely, and have always been resolved using *all* available resources (excluding AS capacity) based primarily on economic merit. Establishing a new hurdle for FRP capacity to be dispatched will unnecessarily result in more volatile real-time prices (due to the withheld capacity) and therefore an overall increase in RTD energy costs. Further, a contingency based on realized RTD uncertainty would create opportunity cost for the resource and logically cause a higher offer price for FRP capacity relative to a RTD process that freely dispatches FRP capacity based on its real-time bids. Lastly, by *not* segregating dispatch between FRP and non-FRP capacity, there would be no need to devise a potentially complex methodology to quantify realized RTD uncertainties or track whether FRP capacity was dispatched in any RTD interval to restore ramping capability. If FRP capacity were indeed dispatched ahead of higher cost non-FRP generation, the displaced non-FRP capacity would then be available to meet additional RTD energy requirements that the FRP *unit commitment* result in RTPD was intended to meet.

2. The final proposal should ensure that optimization of Ancillary Services (AS) in RTPD is included in the scope. Because FRP gives the CAISO an additional tool to address unexpected system conditions, AS procurement should not exceed minimum quantities to meet system requirements. For example, the CAISO currently does not sell back excess AS procured in the

Day-Ahead market. Retaining this practice would tie up capacity that otherwise could provide FRP capacity, and therefore result in more costly procurement of this product.

3. SDG&E proposes that the CAISO provide stakeholders with the following information before an allocation methodology is determined. Also, because the factors driving FRP procurement is likely to change over time, SDG&E suggests that an allocation method be dynamic rather than fixed to respond to such changes.

    a. Expected FRP procurement in the DA market and cause for FRP procurement (by percent) for each hour of an average summer and winter day
    b. Expected FRP procurement in the RTPD and cause for FRP procurement (by percent) for each hour of an average summer and winter day