Sempra US Gas and Power Stakeholder Comments: CAISO Flexible Ramping Product Final Draft Proposal and April 16, 2012 Stakeholder Meeting

Submitted by	Company	Date Submitted
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Sempra US Gas and Power (Sempra USGP) appreciates this opportunity to provide the following comments on the 4/10/2012 CAISO Flexible Ramping Product (FRP) Final Draft Proposal, as presented in the 4/16/2012 stakeholder meeting. The comments address the issue of cost allocation and consideration of impacts on existing resource contracts and contracts currently in the negotiation process, and are consistent with comments submitted in the Cost Allocation Guiding Principles stakeholder effort.

The Final Draft Proposal would assign flexible ramping costs to scheduling coordinators based on deviations from their submitted profiles. The Final Draft Proposal should be modified to explicitly recognize the need for a transition period and to assign costs in a mannerthat does not conflict with existing contractual agreements. The CAISO should clarify that its allocation proposal will respect the sanctity of existing contracts, and that the CAISO does not intend to allocate costs not specifically identified in existing contracts or in a manner inconsistent with the terms of existing contracts for the life of the contracts. In addition, the transition period should not impact contracts currently in the negotiation process by providing an implementation date sufficiently in the future. The transition period should also consider the need for well established transparency in costs, so as to allow appropriate and efficient contract pricing.

As a practical matter, the allocation of costs to the renewable resource buyer/off-taker with a means of cost pass-through has been, and continues to be an appropriate and efficient default method to properly incorporate costs in what are predominately long term resource decisions. It is extremely problematic for suppliers to consider unknown flexible ramping costs in their commercial fixed price offerings, and doing so would require an excessive risk premium. On the other hand, by consideration of these costs in the least-cost best fit framework, buyers can make resource choices that minimize the costs in the long run. Further, buyers may pursue contractual options to allocate or share costs with generators if/when deemed feasible. In this manner, the continued allocation of costs to buyers responsible for meeting the renewable resource mandates will result in the least cost procurement approach.