Sempra US Gas and Power Stakeholder Comments: CAISO Flexible Ramping Product Final Draft Proposal and May 29, 2012 Technical Workshop

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 5/29/2012 CAISO Flexible Ramping Product (FRP) Technical Workshop. The comments address the issue of cost allocation for FRP costs, and consideration of impacts on existing renewable resource contracts.

The Final Draft Proposal would assign flexible ramping costs to the scheduling coordinator for the renewable resource, based on deviations from their submitted generation profiles. In many cases, load serving entities (LSEs) contracting for renewable energy under long term contracts are the scheduling coordinator for their contracted resources. However, in cases where the resource owner or third party scheduling agent is the scheduling coordinator, the CAISO's proposed cost allocation would result in a discriminatory allocation of costs. FRP costs were not reasonably known or knowable when these contracts were executed. Further, 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 the most 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 unnecessarily raising renewable procurement costs for California consumers.

It is most efficient to allocate unknown FRP costs to LSEs that have a means of passing through such costs. Further, as actual cost data become available, LSEs can incorporate FRP costs in their least-cost best fit procurement framework, and thereby make resource choices that minimize total costs in the long run. On this basis, the CAISO should assign FRP costs to the load scheduling coordinator as the default method of cost allocation. This protocol does not foreclose buyer's opportunity to contractually transfer FRP costs to suppliers if/when the contracting parties deem it feasible. Regardless of which default cost allocation the CAISO chooses going forward, the CAISO should explicitly grandfather existing contracts from FRP cost allocation in cases where the supplier is the scheduling coordinator. It is not uncommon for the CAISO to provide for grandfathering with respect to applicability of certain tariff provisions. For example, as reflected in FERC's August 2010 order in Docket No. ER10-1524-000, the CAISO provided for the grandfathering of resource-specific power supply contracts entered into with RA resources, given that such resources did not have certainty as to the eventual requirements by which they must adhere under SCP, thus preventing them from accounting for those standards in negotiating their RA contracts. Given the negative impacts on existing contracts under the current proposal, the CAISO should explicitly grandfather existing contracts from FRP cost allocation in cases where the supplier is the scheduling coordinator.