

Western Power Trading Forum comments on FRP Cost Allocation

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WPTF appreciate the opportunity to provide input on the CAISO's proposed cost allocation for the Flexible Ramping Product (FRP) based on the CAISO's March 15, 2012 straw proposal.

WPTF appreciates the CAISO's efforts to evaluate the contribution to volatility of all sectors on an equal footing and finds its proposed approach to developing respective baselines of various participants as a seemingly reasonable approach. However, the CAISO should modify its proposal to first perform a system-wide netting on all supply resources, and on all inertie resources, prior to "slicing the pie" of costs associated with the FRP. This will both best emulate the respective contribution to variability need by each sector and put the respective sectors on a level playing field.

WPTF is still evaluating the appropriate billing determinate to allocate the supply "slice of pie". Net negative deviations and net positive deviations may be a reasonable billing determinate for this purpose.

Lastly, WPTF does not find the use of resource-specific deviations to be a logical billing determinate element. Rather, given that resources' impact in any interval may offset one another, a portfolio-wide net deviation result would seem to better emulate a parties' ongoing impact on the CAISO's flexibility need. Certainly if the ISO is going to determine the contribution of load to the flexibility need over all of an SC's load resources, comparable netting should be offered across supply resources.

WPTF looks forward to further discussion on these issues, including looking forward to discussions with the MSC on these topics during the March 30, 2012 meeting.