

Western Power Trading Forum Comments on the Flexible Ramping Product

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WPTF appreciates the CAISO's continued refinement of its Flexible Ramping Product FRP proposal and offers these comments on the CAISO's April 9, 2012 Draft Final Proposal.

- CAISO Proposed Real-Time FRP settlement: WPTF continues to object to the CAISO's proposed implementation whereby units are not paid for the capacity value of their resource in the real-time procurement process and the proposal to not pay units that are selected in RTUC but not selected in RTD. Please see our March 22nd comments for details.
- Subregional procurement: WPTF is very concerned that the CAISO's newly proposed subregional procurement will delay the implementation of the FRP. The possibility of subregional procurement imposes a host of new concerns (how substation and conversion would work, how cost allocation would work, etc.) and questions yet to be addressed by the CAISO. WPTF would want dedicated discussions on these policies and how they would be treated. We also expect there to be dissenting opinions about how much detail about subregional procurement should exist in the tariff and in the BPMs. WPTF strongly encourages the ISO to implement the FRP on a regional basis and consider – if necessary – a subsequent implementation phase where subregional procurement can be considered properly. WPTF similarly encourages deferring consideration of subregional cost allocation.
- Cost allocation beyond load: WPTF supports cost causation but also witnesses the growing number of questions and concerns about how the cost-causation principles are applied and about the possibility of transitional provisions through grandfathering. As expressed in response to the CAISO's initial design, WPTF would support cost allocation to load and exports initially to allow time for cost allocation to be considered further and for transitional issues (grandfathering) to be considered further.
- Bidding Limits: WPTF appreciates the CAISO's revised proposal to not impose a bid cap on the FRP to limit FRP bids to operating reserve bids.
- CAISO Proposed Demand Curve: WPTF continues to be concerned with the implementation of a demand curve-like relaxation function for the FRP procurement, especially in light of the CAISO's characterization that the FRP is for operational reasons. (Please refer to our 3/22 comments for further details.) If the CAISO maintains this aspect of their proposal WPTF requests for clarity that for the FERC filing/Tariff language the CAISO consider redefining the procurement levels to

include both the stochastic procurement and the demand curve functions as a combined procurement algorithm rather than continue to portray these as separate elements.

- CAISO proposal for stochastic consideration of energy bids: Please see our 3/22 comments. WPTF continues to request a formal plan to test and report back on the parameters prior to go live and after go live. And again, the design of the stochastic processes and the parameters should be thoroughly described in a relevant BPM. We find these reasonable requests and ask the CAISO to formally accept these approaches.
- WPTF continues to cautiously consider the CAISO's proposal for SCs to express bid floors and caps in the DA for resources selected to provide FR. WPTF agrees that requiring SCs to lock in specific bids for RT at the DA time would likely raise costs, as it would require SCs to apply a risk premium for unknowns that may occur between DA and RT. WPTF strongly opposes any proposal to apply a default energy bid in RT for FR providers, as suggested by SCE in the April 16, 2012 meeting.