

Western Power Trading Forum Comments on August 9, 2012 CAISO Flexiramp Revised Draft Final Proposal

Ellen Wolfe, Resero Consulting for WPTF, 916 791 4533, ewolfe@resero.com

August 23, 2012

WPTF appreciates the opportunity to submit these comments on the CAISO's Revised Draft Final Proposal and August 16, 2012 stakeholder meeting. WPTF offers the following comments.

Clawback of FRP Compensation from Day-Ahead to Real-Time

WPTF wishes to ensure that the CAISO's design results in an efficient optimization of unit selection from bids for energy and flexiramp in both the day-ahead and real-time markets. The CAISO should also ensure that clawbacks – should a unit be selected to provide FRP in the DA not be selected to provide FRP in RT – are efficient and leave providers indifferent based on their energy and FRP bids. Further at the 8/16 meeting there were discussions about rebidding options in RT. If the CAISO is going to continue to pursue a notion of clawback then it must provide for multiple rebid steps, either a multi-segment FRP bid curve or at a minimum a two-step bid such that SCs can bid already their already-selected FRP capacity range at a distinct price from that for which incremental FRP capacity is offered.

Cost allocation proposal

At this highest level WPTF generally ascribes to the concept of cost allocation on a movement basis. That said, WPTF directly objects to the specific proposal put forth in the aforementioned proposal versions and meeting presentation. In particular we object because the ISO's proposal will tend toward biasing higher costs to suppliers. This bias stems from the fact that the CAISO plans to allocate to load based on the combined effect of the uninstructed deviations and the scheduled ramp (the observed actual ramp, that is) whereas to suppliers the CAISO proposes to allocate to the schedule changes (fixed ramps) and then separately to uninstructed deviations. In the case of load where the uninstructed deviations offset a scheduled ramp the allocations will be lower than they would be if the ISO proposed to allocate to load's scheduled changes and then also to the load's uninstructed deviations.

To remedy this effect the CAISO could simply allocate to the net of a supplier's fixed schedules and uninstructed deviations rather than to each of these separately. There may be other ways to remedy this bias as well, but in short WPTF will object to disparate cost allocation approaches to load and generators that result in double-counting of movements to on particular market segment.

Efficacy and Fairness of Rolling Regulation bids to FRP

The CAISO has proposed that unused regulation bids will be automatically used for flexiramp. Based on the information provided thus far it is unclear that such a proposal is reasonable, in particular because regulation bids now receive a mileage payment and the CAISO has not articulated how it plans to adjust

compensation for given the regulation bids presume a mileage payment and the FRP compensation does not. (In other words the regulation and FRP may be like apples and oranges.) It's unreasonable for the ISO to substitute one bid stream for the other service if the basis for bids fundamentally differ between the regulation and FRP services. We encourage the CAISO to reconsider this or to offer an explanation as to why using Reg bids for FRP is reasonable. Lastly, WPTF questions why the CAISO believes this is so important; is there something the CAISO believes fundamentally distorted about the services that would have a participant not bid its range for the suite of services?

WPTF appreciates the CAISO's consideration on these points.