

Western Power Trading Forum Comments on Following September 18, 2012 FRP Workshop

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WPTF appreciates the opportunity to submit these comments following the CAISO's September 18, 2012 FRP workshop meeting.

First, WPTF notes that the CAISO has not yet issued an updated white paper of its revised policy. Commenting on a PowerPoint presentation and the in-person discussion only is somewhat challenging. WPTF would appreciate the opportunity to review a written description of the ISO's policies, have a subsequent discussion, and then submit additional comments.

WPTF offers the following comments.

Interaction between Regulation and FRP

The CAISO's proposal regarding the relationship between FRP and regulation continues to warrant further consideration. WPTF continues to object to the CAISO presumption that the capacity portion of regulation bids and FRP bids are interchangeable. A supplier's regulation bid presumes a mileage payment and their FRP capacity bid presumes an energy deployment. The CAISO has not shown that using a supplier's regulation capacity bid makes sense when paid a *FRP energy deployment* energy payment.

Additionally, WPTF objects to the presumption that capping FRP bids at the regulation price is warranted given some remote market power possibilities. If the CAISO wishes to propose any mitigation it should provide an analysis showing that market power exists.

WPTF encourages the ISO to consider moving the *requirement* between FRP and regulation as a way to implement a sort of rational buyer mechanism. In that manner flexibility can be procured based on FRP bids and Regulation can be procured based on regulation bids.

Co-optimization of IFM and RUC

WPTF very much looks forward to the CAISO's expanded description of the RUC/IFM co-optimization. WPTF has a number of questions about the proposed co-optimization, including:

- Whether the ISO expects to have separate constraints in the combined IFM/RUC optimization, for example one constraint that requires IFM supply to meet IFM demand and a separate constraint that requires IFM + RUC energy to meet the load forecast? Or do you plan to clear the IFM and RUC differently and if so, how?

- Whether the ISO expects to satisfy the DA FRP requirements from the IFM resources or from the combined IFM + RUC resources?

WPTF believes the IFM/RUC integration requires significantly more vetting than has transpired thus far and encourages the ISO to find a mechanism to support such discussion.

Relationship with Order 764

WPTF requests that the CAISO consider how the FRP fits in with the design activities and possible outcomes of the CAISO's market design considerations for Order 764 (the VER Order). WPTF would be interested in the CAISO's perspective on the ability for the CAISO to adjust the FRP design based on the outcome of the Order 764 consideration. WPTF also recommends the ISO explore whether there are other interim market mechanism through which the FRP needs can be met (e.g., procurement of non-contingent reserves) that may provide an additional ability to consider real-time market changes through the Order 764 process before fixing in place a FRP design that may not be adaptable.

WPTF appreciates the ISO's consideration on these points.