

Western Power Trading Forum Comments on CAISO Flexible RA and Must Offer Requirement Revised
Straw Proposal

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WPTF appreciates the opportunity to submit comments on the CAISO's June 13, 2013 Revised Straw Proposal for flexible RA capacity (FC). We offer comments in the following areas.

The Must Offer requirements require further consideration to encourage participation and be equitable

The ISO has proposed additional must offer obligations for resources providing FC. In particular the ISO proposes to require suppliers to offer energy bids for their FC range from 5 a.m. until 10 p.m. WPTF believes that additional economic bidding will improve market efficiency. However, there are some limitations in the ISO's software that continue to create substantial risks for some market participants over some operating ranges if resources are not self-scheduled. Additionally, certain facilities have other operating limitations including traditional use limitations and, for example, host steam loads for QF facilities. (Some of these cases would be addressed by the ISO-proposed use-limited treatment and some would not.)

WPTF encourages the ISO to continue to refine any must offer requirements such that the net effect is to improve market efficiency without creation of a disproportionate risk. As part of this consideration the ISO could address the benefits of a relaxed must-offer requirement until such time as the ISO's modeling issues have been predominantly resolved.

WPTF remains interested in further consideration about unbundling liquidity

WPTF understands that the ISO has proposed that the FC sold to an LSE be coupled with the generic RA capacity sold to an LSE. However, given that not all RA resources are flexible, and given the lumpiness of RA resources that would satisfy FC, it is unclear the extent to which there will be sufficient liquidity among FC resources to support a meaningful bilateral mechanism. WPTF encourages further thought, including the input of the MSC, regarding whether sufficient liquidity will exist and whether decoupling the services may be more productive. WPTF also encourages the ISO to initiate additional discussions characterizing especially how smaller LSEs would go about securing FC if their portfolio did not already include it.

Additional details regarding the use of FC in the DA and RT markets would be beneficial

The CAISO proposal includes a single FC product that is broadly intended to meet the range of FC needs the CAISO expects to have going forward. WPTF requests further information from the ISO about how this FC capacity product will be treated in the DA and RT markets. For example, we ask that the ISO confirm that the mechanism the ISO will use to access the FC in the DA and RT will be through its energy market and its ancillary service markets. WPTF also seeks confirmation that an FC resource will not be treated any differently in the DA and RT markets than a non-FC resource, with the exception of the

possible population of bids by the ISO under its recently proposed must offer requirement. To the extent the ISO plans to use the FC in any way other than through the energy and AS markets, we request that the ISO provide details regarding any unique use.

Additional discussion on cost allocation would be appreciated

WPTF appreciates the ISO's efforts to design a cost allocation proposal that based on causation (e.g., LSEs that contribute less to the need are allocated less). We encourage further discussion about the balance of cost causation, comparability with the ancillary service products, and manageability.