

Comments on the presentation from the September 26, 2017 working group meeting

Submitted by	Company	Date Submitted
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About the Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency in order to facilitate transactions among market participants. The membership of WPTF includes load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities, all of which participate actively in the California market and other such markets in the West and across the country.¹

Comments

WPTF was unable to participate in the September 26th working group meeting and so offers the following general observations and questions on the CAISO's conceptual flexible RA product proposal.

WPTF believes the following questions and comments need to be addressed while the ISO is developing the framework as the responses will more efficiently shape the framework and facilitate a more targeted and robust development of the eligibility and must-offer details.

Additionally, WPTF recommends the ISO ensure the Brattle study results align with the framework before the framework is finalized. The final FRACMOO proposal could suffer if the Brattle study results provide insights that have not been considered in the framework process.

Flexible RA cannot be looked at in isolation of either the CAISO RA program or long-term procurement programs by Local Regulatory Authorities (LRAs).

1. System RA requires LSE's to procure 115% of their peak load in each month. Therefore, fundamentally the local and flexible RA products merely indicate the location and attributes the CAISO requires of the LSE's system RA capacity requirement. That is, these requirements are inherently nested; LSEs need a certain amount of capacity, and some of it must be local, some of it must be flexible, and then the rest just needs to meet peak load requirements.
2. LRAs determine long-term resource requirements and new generation is built based on long-term planning studies. Therefore, the RA requirement is not used to incent new builds or determine what new generation is needed. Instead, the RA program ensures that

¹ A member list can be found [here](#) and these comments do not necessarily represent individual member views.

existing resources that are needed do not retire and are incented to remain on the grid and perform routine maintenance. While ideally the RA requirements and long-term planning studies (such as the Integrated Resource Plan) are aligned, the RA program does not need to be nearly as specific or prescriptive as the planning programs which approve new resources. Therefore, the flexible RA design should provide the incentive for the needed flexible resources to remain in the market and at most make moderate enhancements to increase their physical capabilities.

The CAISO needs to clearly state what the intents are of the flexible RA products. The ISO has stated that the purpose of the flexible RA product is so the CAISO can meet grid flexibility needs. However, the impact of the Flexible RA program is limited to changes to the existing fleet - the flexible RA product is only capable of changing either LSE procurement behavior or existing fleet attributes and/or behavior. Therefore, WPTF offers the following questions for CAISO consideration.

1. Is the intent of the flexible RA product to change LSE procurement behavior?
 - a. Are the wrong resources being procured by LSEs under the local and system RA requirements and so existing resources that have needed flexibility attributes are at risk-of-retirement and/or not being shown as RA resources?
 - b. Which capacity (specifically) would the CAISO's proposal require to be procured that wouldn't otherwise be procured absent the flexible RA requirement?
2. Is the intent of the flexible RA product to address the missing money problem for generators, that is, cause LSEs to pay more for existing resources?
 - a. What is the root of the missing money problem?
 - b. Is the lack of a binding flexible RA product contributing to the missing money issue?
 - c. Will the CAISO's proposal lead to an increase in the flexible RA or other RA product price?
3. Is the intent of the flexible RA product to change fleet behavior, that is, cause more resources to economically offer into the market?
 - a. Are energy market rules insufficient to get resources to economically offer into the market?
 - b. Are there easier market rule changes the CAISO could implement, such as lowering the energy bid floor, to incent the needed behavior prior to developing and implementing four flexible RA products?
 - c. Will the CAISO's proposal cause a sufficient amount of capacity with the correct attributes to economically offer into the market?
4. Is the intent of the flexible RA product to increase resource flexibility attributes?
 - a. Is the existing fleet not sufficiently flexible?
 - b. Does the CAISO's proposal give sufficient incentives to resources to justify the investment in increasing resources' physical flexibility?
5. What other intents are there for the flexible RA product not described above?
6. How does the CAISO envision the relation between the proposed flexible RA products and existing products/requirements?

- a. Are there any adverse implications or overlap between the current flexible ramping product and proposed flexible RA products that warrant consideration?
- b. What implications does this proposed framework have on the existing regulation product and requirement?
- c. Is the CAISO intending to essentially redefine what it means to provide regulation?
- d. Has the CAISO considered if the regulation provided for flexibility needs are valued the same as the current regulation provided such that it makes sense to price them the same?