

Western Power Trading Forum comments on Flexible Ramping Product Draft Technical Appendix

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

July 6, 2015

WPTF appreciates the opportunity to provide these comments on the CAISO's FRP Draft Technical Appendix dated June 10, 2015 and the discussions at the subsequent meeting on June 17, 2015. The meeting was helpful to support our understanding of the CAISO's proposal at this time.

At this time WPTF offers the following limited input.

The FRP in its current rendition is not akin to the product that was envisioned in 2011 to replace the Flexible Ramping Constraint.

At the time the Flexible Ramping Constraint was filed and settled, the CAISO indicated that it would take up a biddable product in its stakeholder process and FERC encouraged the CAISO to develop a biddable product (ER12-50-000, December 11, 2011). The currently proposed FRP does not offer bidding, and it offers no price signals whatsoever in the day ahead market. WPTF continues to voice its opposition to the lack of bidding for this product so as to provide a clear price signal for the flexibility in the DA market.

With flexible Resource Adequacy (RA) clearing at nearly a zero premium, dampened energy prices, lack of any price signals for commitment, and now potentially dampened FRP clearing prices, there is a clear gap between the intention on the part of the CAISO to ensure sufficient flexibility is available on the grid and market-based product designs are that could be providing means for such compensation.

The proposed demand-curve-like procurement seems to not even procure for expected needs under certain cost conditions

WPTF understands the CAISO proposal to intentionally forego any FRP procurement to meet *expected* ramping needs if such procurement exceeds the expected value of avoided penalty pricing. This is a significant change from prior proposed policies and WPTF would like more explanation as to the CAISO's rationale for this change.

The histogram approach seems overly complex.

Given the demand curve approach and the lack of an FRP bidding mechanism, it seems unlikely that the product will result in significant procurement of flexibility, nor is it likely to result in the exchange of significant proportions of energy market revenues. As a result, the complex and opaque processes to derive the specific demand curve shape to be applied in the procurement is inappropriate. WPTF encourages the CAISO to consider ways to simplify the process so that the expected demand curve, or attributes of the demand curve, are known to market participants in advance of procurement rather than determined within a complicate analytical regime to which few will have access.

Look to resources' upper and lower limits before assessing no pay-like charges

WPTF is supportive of a simplified settlement approach for instances when the flexible ramping product is not available. However, assuming that ramping up is not available under cases of positive Uninstructed Imbalance Energy (UIE) and that ramping down is not available with negative UIE is overly punitive in cases where the resources is not providing the service over its full range of output.

We appreciate your consideration of these comments.