

## Western Power Trading Forum comments on Frequency Response Issue Paper Call

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WPTF appreciates the opportunity to provide these comments on the CAISO's Frequency Response Issue Paper dated August 7, 2015 and call held on August 13, 2015, and we appreciate the ISO's efforts on this initiative. Our comments are as follows.

### The ISO should develop a frequency response product.

WPTF is sympathetic to implementation concerns over the full development of a frequency response product before the December 1, 2016 deadline. However, it is not clear why the ISO would be unable to implement at least a simplified product by this time. A fully co-optimized frequency response product will enable the ISO to transparently and efficiently procure and price frequency response capacity.

### The proposal to enhance the spinning reserve requirement to include frequency response will be complicated and likely require similar implementation efforts to a frequency response product.

The ISO proposed that enhancing the spinning reserve requirement may be a temporary option prior to developing a full frequency response product. WPTF believes that making the necessary enhancements to the spinning requirement to accomplish this will be as or even more complicated than the creation of a new product and may not be as efficient or transparent for the following reasons.

An individual resource may be able to provide more spinning capacity than frequency response capacity. Therefore the ISO will have to optimize two separate quantities of capacity from each resource to meet the spinning requirement and the frequency response requirement or alternatively, limit the amount of spinning reserve a resource may offer into the market to the amount they can also provide frequency response. The first option is the same as creating an unpriced frequency response product from the spinning reserve offer stack; the second option is inefficient and will artificially limit spinning capacity offers.

The ISO will have to address the issue that today regulation up capacity counts toward the spinning requirement. If the ISO enhances the spinning requirement so that it also meets the frequency response product, the ISO will have to restrict the amount of regulation that can count toward the spinning requirement to the difference between the spinning requirement and the frequency response product. This again adds complexity to the ancillary service paradigm and creates an inefficiency in that regulation and spinning reserves would not any longer be perfectly optimized.

The ISO will have to address local/zonal constraints that are not applicable to frequency response procurement. The current ancillary services are constrained regionally, but this regional

procurement does not need to apply to frequency response. This would either result inefficient procurement or add complexity if addressed within the spinning requirement.

WPTF supports the development of a simplified, temporary frequency response product to meet the December 1, 2016 deadline. The ISO could initially implement a simplified product that uses the spinning reserve offer stack. Any incremental frequency response needs above what was already procured through the spinning requirement could be procured and transparently priced using these bids. This additional capacity would not cascade with the other products. Subsequent to the development of this product, WPTF supports moving toward a fully biddable co-optimized frequency response product.