

# Stakeholder Comments

## Subject: Flexible Ramping Products

### Revised Straw Proposal Dated 11/29/11

Submitted by	Company	Date Submitted
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Wellhead appreciates and supports the CAISO's effort to develop new market-based flexible ramping products to address variability and uncertainty associated with the increasing development of renewable resources. The CAISO is currently managing variability and uncertainty by using existing ancillary services (in particular spin and regulation). And the CAISO could probably meet increased variability and uncertainty challenges through the procurement of additional existing ancillary services. However, the flexible ramping product, in conjunction with the load following product being looked at in the renewable integration initiative, will provide the CAISO with a more diverse set of competitive market-based options to manage these growing problems. This will facilitate CAISO's cost minimizing efforts while maintaining a reliable electric system that complies with applicable criteria and standards.

As discussed at the stakeholder meeting, there is still work to be done to understand all of the nuances that are part of the new market product. By working through a broad set of examples, as the CAISO has committed, market participants will gain confidence that the flexible ramping product is properly ideated and implemented to achieve the desired outcome – a market-based product that allows the CAISO to respond to the increasing variability and uncertainty in operating the electrical system. Wellhead appreciates the CAISO's effort to work with stakeholders to ensure that questions and concerns are addressed.

Wellhead also supports the CAISO's decision to not implement, at the outset, an allocation of flexible ramping costs that would make generators responsible for a portion of such costs. Although Wellhead does not oppose cost causation as a principle for cost allocations, Wellhead agrees with the CAISO that there are a number of issues that need to be better understood and addressed before a new cost allocation approach is implemented. The CAISO is proposing to collect information as to the specific causes/needs for the flexible ramping so that a cost allocation discussion can be based on actual information. The CAISO also correctly notes there needs to be consideration of implications to existing contracts that may not take account of cost allocations for new products, like flexible ramping services. Wellhead believes the allocation discussion also needs to address the fact that this new product would not be needed were it not for policy mandates that are significantly increasing intermittent renewable generation. The CAISO has proposed the correct starting point for allocating flexible ramping costs -- the same way as is done for regulation up/down ancillary services (especially since increased procurement of regulation services is the other way to address the need).

Wellhead looks forward to continuing its participation in the stakeholder process for flexible ramping products and to compete in the marketplace to provide these value added services.