

Comments on CAISO's April 19, 2016 Frequency Response Revised Draft Tariff Language

April 21, 2016

On April 19, 2016, the CAISO released the Frequency Response Revised Draft Tariff Language¹ and also indicated its intent to file the proposed language with the Federal Energy Regulatory Commission this week. The California Department of Water Resources State Water Project (CDWR) would like to comment on the proposed language.

CDWR opposes the allocation of transferred frequency response costs only to measured demand, as described in section 11.34.1 of the revised tariff language. These new transferred frequency response costs should at a minimum be allocated to all scheduling coordinators because the benefit of this service helps everyone, not just measured demand. Generators especially benefit since not having this service opens them to the risk of paying reliability based penalties.

Throughout this frequency response initiative, CDWR has supported overall the proposed changes required to comply with NERC's new primary frequency response standard, BAL-003-1. CDWR has always advocated a fair and just cost allocation methodology that aligns with the CAISO's Cost Allocation Principles. These principles should be followed, regardless if it is allocating the cost of a frequency response service from a resource or allocating the cost of transferring frequency response obligation to another balancing authority. If an accurate transferred frequency response cost causation mechanism is not practically achievable, then CDWR believes that the next best solution is a "negotiated" cost allocation mechanism that will align transferred frequency response costs with the distribution of benefits. This negotiated cost allocation mechanism can take into account (1) the benefits that generators, imports, loads, and exports receive from having transferred its primary frequency response obligations, and (2) the benefits that purely financial transaction stakeholders receive from having a stable and reliable energy market. CDWR, in general, believes that no transferred frequency response compensation mechanism should be implemented without also having a fair and just cost allocation mechanism.

¹ http://www.caiso.com/Documents/RevisedDraftTariffLanguage_FrequencyResponse.docx