

## California Department of Water Resources (CDWR) State Water Project Comments on CAISO's June 2, 2014 Flexible Ramping Products Straw Proposal

June 23, 2014

On June 2, 2014, the CAISO released an updated version of the Flexible Ramping Product (FRP) Straw Proposal that was delayed since 2012 to focus on Order 764 market changes such as the 15 minute market. On June 9, 2014, the CAISO held a workshop to review and discuss the straw proposal. CDWR appreciates the opportunity to submit commits.

CDWR supports the CAISO's efforts to create a product that resolves the need for greater ramping capability in large part exacerbated by increasing levels of variable energy resources and at the same time allocate costs fairly among all participants.

### FRP Bidding Overview:

In the FRAC-MOO proposal, resources that receive a Flexible Resource Adequacy (RA) award are required to submit economic bids for energy in the Day-Ahead Market (DAM) during certain hours of the day. Similarly, in this FRP proposal, CAISO has proposed that these same resources also bid \$0/MW for the FRP (both flexi ramp up and flexi ramp down). CAISO is still evaluating whether resources without a Flexible RA award will be allowed to bid in the DAM for FRP. If CAISO permits non-RA resources to bid, CAISO proposes that those resources may only "include the opportunity cost of offering the capacity into the ISO market versus offering the capacity outside the ISO." The economic bid range allowed would be \$0/MW to \$250/MW. No self-scheduled FRP bids would be allowed.

### Comments:

1. Use-limited Resource Adequacy resources (ULRs) should be exempt from having to submit \$0/MW FRP bids in the DAM. Requiring such ULR's to submit FRP bids in the DAM would expose CDWR's hydro generation facilities to being curtailed in the Real-Time Market (RTM), which would affect CDWR's water delivery requirements. Much like CDWR is exempt from submitting Ancillary Services (AS) must-offer obligation (MOO) bids for its ULR's, DWR believes the same type of exemption should apply to FRP bidding requirements. FERC determined that a use-limited RA resource's exemption from AS MOO to be "just and reasonable".<sup>1</sup> CDWR is unique in the energy market in that its primary purpose is to deliver water, not

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<sup>1</sup> FERC comments on CAISO's Tariff revisions, ER09-1064-000, dated June 26, 2009, P122

## California Department of Water Resources State Water Project

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generate electricity for the wholesale market.<sup>2</sup> Energy generation for CDWR is a by-product of moving water. CDWR's water management duties and regulatory constraints require water to flow or be held back, and any involuntary deviations to its water schedules jeopardizes compliance. Furthermore, many of CDWR's hydro generating and pumping facilities are hydraulically linked or are part of a coordinated operation plan with Federal and regional water management entities. Curtailing energy (and thus the transport of water) at one facility may create cascading water and power problems throughout the SWP system.<sup>3</sup> Physical machine limits such as minimum down time or limited starts and stops may also preclude CDWR facilities from involuntarily participating in FRP.

2. If CAISO nonetheless requires use-limited resources with Flexible RA awards to submit offers for FRP, that must-offer obligation should be limited to the hours of the day that the resource is required to bid energy into the DAM according to the FRAC-MOO rules. Moreover, use-limited resources should not be required to bid \$0/MW in all hours, because ULRs have a legitimate opportunity cost of bidding in one hour instead of another (i.e. inter-temporal opportunity costs). ULRs should be allowed to include those costs in their bids.
3. CDWR believes that resources without an obligation to bid for FRP in the DAM should be allowed to submit economic bids (even though CDWR will most likely not submit economic bids in the DAM). CDWR also believes that FRP bid costs should not be limited to only "opportunity costs". FRP bids, if accepted, will be dispatched in 5-min increments in the RTD. Therefore, resource owners should be allowed to include investment cost and wear and tear cost in the economic bid to recover additional unit use.

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<sup>2</sup> California Department of Water Resources v. FERC, 341 F.3d 906 (9th Cir. 2003), reh'g en banc denied, 361 F.3d 517(9th Cir. 2004)

<sup>3</sup> DWR's motion to intervene, ER09-1064-000, dated May 19, 2009, Pg. 5