

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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The CAISO must clearly meet its NERC compliance obligation for frequency response under BAL-003-01 beginning in December 2016. Based on its analysis of recent history, the CAISO had concluded that its commitment and dispatch process to date would not always have resulted in sufficient resources to meet its frequency response obligation. The CAISO had then proposed in its initial straw proposal the possibility of acquiring the needed capability through the use of resources providing ancillary services, particularly spinning reserves, that have sufficient headroom. However, the comments about this aspect of the CAISO's initial straw proposal indicate that there are significant concerns about this approach. Thus, consideration of the alternative of procuring frequency response from outside the CAISO's balancing authority as proposed on the December 14, 2015 Frequency Response Working Group call is worthwhile. The CAISO also indicated in its presentation for the December 14, 2015 Working Group call that it is analyzing the cost of dispatching its system to assure that it has sufficient resources online with sufficient headroom to be able to meet its estimate of its frequency response obligation of 752 MW. This cost could be used for a comparison with the cost of procuring resources from outside its balancing authority to meet its frequency response obligations so that the most cost-effective option may be selected, at least on an interim basis to meet the December 2016 obligation.

The California Large Energy Consumers Association (CLECA) is encouraged by the discussion on the Frequency Response Working Group call on December 14, 2015 regarding frequency response obligation transfers. The option of either a frequency response sharing group that is a collaboration of balancing authorities or an obligation transfer would allow the CAISO to take advantage of the fact that there is sufficient frequency response capability in the WECC although apparently possibly insufficient frequency response in the CAISO's balancing authority (BA) based on the analysis performed by the CAISO to date. The apparent consensus on the call was that the sale of frequency response would be a compliance instrument like a REC and would include reports to NERC, without the need for transmission or delivery to the grid. This

would facilitate the acquisition of whatever frequency response is needed for compliance beginning in December 2016 during the transition to a market product. CLECA continues to support the development of a market product in Phase 2 of this stakeholder process.

The fact that BPA already has a procedure to sell frequency response reserves suggests that the CAISO should evaluate BPA as a source of such reserves. Since BPA stated that it has already issued an RFO and has received responses, it would behoove the CAISO to consider buying such reserves from BPA, or any other possible supplier, pending the development of a market product that potential suppliers can bid to provide, as long as the price is reasonable. CLECA does have a concern about the cost of procuring such reserves from outside the BA, given the apparent limit on possible suppliers. We do not support the proposal by Powerex that the CAISO determine its avoided frequency response compliance costs to be used as a cap on the price at which Powerex or others would offer to provide the service. The Department of Market Monitoring should review the apparent lack of possible competitive suppliers to see if such a pricing proposal is appropriate and should review the price at which the CAISO receives offers for such a service from other BAs.