

J.P. Morgan Comments

Renewable Integration Market Vision & Roadmap – Revised Straw Proposal

Submitted by	Company	Date Submitted
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J.P. Morgan Ventures Energy Corporation and BE CA, LLC (collectively, “J.P. Morgan”) appreciates this opportunity to provide comments on the California ISO’s (CAISO’s) August 29, 2011, revised straw proposal entitled “Renewable Integration Market Vision and Roadmap” (“Revised Straw Proposal”). J.P. Morgan offers the following comments.

J.P. Morgan appreciates the CAISO’s thoughtful response to stakeholder comments on the Initial Straw Proposal. J.P. Morgan generally supports the CAISO’s Revised Straw Proposal and its stated intent to focus on more targeted market enhancements rather than a more extensive market redesign. J.P. Morgan also supports development of a market vision and roadmap to guide that process, including segmenting efforts into three distinct timeframes. However, as noted below J.P. Morgan recommends that the CAISO not defer to the mid-term or long-term timeframes certain needed new services/products.

Short-Term (Present-2013)

J.P. Morgan agrees with the CAISO’s proposal to focus on the short-term completion and implementation of market enhancements “already on the books”. As stated at the September 12, 2011, RIMPR-2 meeting, J.P. Morgan requests that the CAISO clarify in the next version of its proposal whether other market design enhancements, such as those currently included in the CAISO’s Market Initiatives Roadmap - including FERC-mandated items – will be included in the list of short and/or mid-term enhancements.

Mid-Term (2013-2015)

As a general position, J.P. Morgan supports the immediate development of the services/products identified as needed by the CAISO for renewable integration. These include Inertia/Frequency Response and the procurement of Ramping Capacity. With respect to Inertia/Frequency Response, J.P. Morgan urges the CAISO to finalize and release its technical study. In addition, while cognizant of the CAISO and stakeholders’ need to follow any related NERC effort to establish an FRR standard (anticipated in May 2012), J.P. Morgan cautions the CAISO not to wait to address this issue since inertia/frequency response are critical to reliable system operation.

With respect to Ramping Capacity, J.P. Morgan supports near-term development of a bid-based Flexi-ramp capacity/energy product that is co-optimized with energy and ancillary services in both the day-ahead and real-time markets. (J.P. Morgan does not support at this time co-optimizing Flexi-ramp and RUC, or IFM and RUC – in other words, Flexi-ramp should be procured 100% in the IFM). Depending on the implementation date for Flexi-ramp, J.P. Morgan also suggests the CAISO examine the interim procurement/use of additional non-contingent

spinning reserves to satisfy its ramping requirements (this may be related to the CAISO's identified operating reserve management).

With respect to Intertie Pricing, consistent with its earlier comments, J.P. Morgan supports efforts to align scheduling timeframes and practices across the West. In addition, J.P. Morgan cautions the CAISO not to presume that the NYISO, or any other RTO's, existing intertie pricing design is a suitable starting place for CAISO. Each of the RTOs is replete with stories of seams issues. J.P. Morgan supports the establishment of a CAISO-stakeholder working group on this issue, one purpose of which would be to examine the practices/designs in place in other markets.

Long-Term (2015-2020)

J.P. Morgan recommends that the CAISO accelerate the development of a forward procurement mechanism for ramping capacity. This effort should be done in parallel with the development of the Flex-ramp Product. While cognizant of the fact that everything cannot be completed at the same time, parallel development of these products makes sense since the identification and specification of the underlying requirements is needed for both. Moreover, a near-term focus on development of forward procurement mechanism for ramping capacity will necessarily inform resource adequacy and long-term procurement planning decisions; decisions that will need to be made (LSEs, CPUC) and acted upon (generation built) well before the long-term timeframe. Accelerated action is needed to ensure that appropriate and needed capacity is in place to serve load and satisfy the CAISO's needs by 2020.

J.P. Morgan appreciates the opportunity to provide these comments.