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Comments of Northern California Power Agency
Flexible Ramping Products – Draft Final Proposal

April 23, 2012

Northern California Power Agency ("NCPA") provides the following comments in response to CAISO's Flexible Ramping Products Final Draft Proposal posted on April 9, 2012. NCPA operates in the CAISO as a Load Following Metered Subsystem ("LF MSS"). NCPA is uniquely situated in the market as a LF MSS, and based on such operations NCPA is contractually obligated to self-manage its real-time deviations attributed to variability and uncertainty. Therefore, as further described below, NCPA strongly believes that a LF MSS should only be allocated Flexible Ramping Products cost based on its net LF MSS portfolio deviations, which represent the variability and uncertainty a LF MSS is unable to self-manage.

Net LF MSS Portfolio Deviations

As described in NCPA's prior comments submitted as part of this initiative, NCPA, operating as a LF MSS, is contractually obligated to balance its integrated portfolio of supply and demand in real-time through use of Load Following Capacity, to ensure its net LF MSS portfolio deviations are contained within a tight deviation band. To the extent NCPA is unable to balance its LF MSS supply and demand portfolio within a tight deviation band, NCPA is assessed significant Load Following Deviation Penalties in accordance with the CAISO Tariff. Based on the unique obligations of a LF MSS, NCPA strongly believes that a LF MSS should only be allocated Flexible Ramping Products cost based on its net LF MSS portfolio deviations, which represent the quantity of positive or negative deviations, per settlement interval, that the LF MSS is unable to self-manage.

For example, during any 10-minute settlement interval, if NCPA's load increases by 5 MW (measured as uninstructed imbalance energy), NCPA is contractually obligated to increase its LF MSS generation portfolio by 5 MW during the same settlement interval (measured as a combination of instructed and uninstructed imbalance energy). Based on these offsetting deviations[1], NCPA's net LF MSS portfolio deviations will be 0 MW.

[1] As described in greater detail in the NCPA MSSA Agreement, both real-time instructed and uninstructed deviations attributed to load following activities must be included in the measure of net LF

By performing Load Following, NCPA is effectively self-managing its real-time portfolio deviations. If NCPA is able to successfully balance its MSS LF supply and demand portfolio in real-time, NCPA should not be allocated Flexible Ramping Products cost.

Working from this same example, where NCPA's load increases by 5 MW in real-time, if in response to such deviation NCPA increases its LF MSS generation portfolio by either 4 MW or 6 MW, the resulting net LF MSS portfolio deviation for that 10-minute settlement interval will be +1 or -1 MW (6 MW less 5 MW or 4 MW less 5 MW). In this case NCPA should only be allocated Flexible Ramping Products cost based on its net LF MSS portfolio deviation of either +1 or -1 MW. This net LF MSS portfolio deviation of +/-1 MW represents the amount of variability or uncertainty that NCPA was unable to self-manage; resulting in NCPA purchasing or selling 1 MW of energy from/to the CAISO market.

Since NCPA's LF MSS load and generation portfolio is measured every 10-minute settlement interval via CAISO settlement quality metering, NCPA believes it would be most appropriate to include its net LF MSS portfolio deviations in "bucket 2" of CAISO's proposed first step in the division of system Flexible Ramping Products cost. The interval level at which NCPA's net LF MSS portfolio deviations is measured is more consistent with the level of measure used for Internal Generation than Load.

In conclusion, since NCPA is contractually obligated to self-manage its variability and uncertainty in real-time, and NCPA's failure to do so within a tight deviation band will result in NCPA incurring significant load following deviation penalties, NCPA strongly believes its LF MSS portfolio should only be allocated Flexible Ramping Products cost based on NCPA's net LF MSS portfolio deviations. NCPA agrees that its non-Load Following resources should be treated equally to other non-Load Following resources, but NCPA's LF MSS portfolio is uniquely situated in the market; therefore CAISO must recognize that a LF MSS's self-management of variability and uncertainty in real-time reduces CAISO's overall need to procure Flexible Ramping Products.

MSS deviations; this is attributed to the fact that NCPA provides Load Following Instructions ("LFI") to the CAISO prior to each 5-minute interval to inform CAISO as to where NCPA expects to operate its generation in the proceeding 5-minute interval(s). These "non-binding" instructions are then sent back to NCPA by CAISO as CAISO instructions. NCPA is obligated to follow its actual real-time portfolio deviations; therefore NCPA will not follow the exact LFI provided by CAISO to manage its portfolio deviations. As a result, the total amount of deviations measured by CAISO attributed NCPA's load following movements will be measured as both instructed and uninstructed imbalance energy.