

## Comments on Flexible Ramping Product

Submitted By	Company or Entity	Date Submitted
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Powerex appreciates the opportunity to provide these limited comments on the Flexible Ramping Product changes described in the FERC Order 764 Compliance 15-Minute Scheduling and Settlement Straw Proposal published on October 23, 2012. As previously stated, Powerex strongly supports the need and general concept of this product. Powerex has the following additional comments.

Powerex supports the proposal to implement FRP at the same time as other Order 764 market changes and generally supports alignment of this product with those changes in mind. As part of this alignment, Powerex also supports the proposal to allocate costs on 5-minute movements.

However, Powerex notes the CAISO has not fully responded to Powerex's written and oral comments previously submitted on the FRP. Specifically, Powerex is concerned that although the CAISO identifies the two distinguishable drivers for FRP separately as (i) known variability and (ii) uncertainty, the FRP procurement process and costs allocation methodology fails to differentiate between these two drivers. In Powerex's view, known variances and uncertainty are very different and require differing treatments. Specifically, known variances can be relied upon to reduce FRP requirements in the opposite direction whereas uncertainty drivers cannot. Please see Powerex's previous comments on this topic.

Powerex is also concerned that the CAISO must consider a more granular locational procurement of FRP. It is essential that the CAISO procure FRP at locations where it is needed<sup>1</sup>.

Powerex believes with the delay in implementation the CAISO should address these two issues –differentiation between known variances and uncertainty as well as locational deliverability - in the FRP design.

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<sup>1</sup> Department of Market Monitoring Q3 2012 Report on Market Issues and Performance, November 13, 2012, Page 44: "During the year, over 63 percent of the capacity procured for the flexible ramping constraint was in the Pacific Gas and Electric area. Because flexible capacity is deployed during tight system-wide conditions, the majority of this capacity cannot be used when there is congestion in the southern part of the state."