

**Comments of Powerex Corp. on
Primary Frequency Response Draft Tariff Language**

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to submit comments on CAISO’s March 17, 2016 draft tariff language reflecting phase 1 of CAISO’s primary frequency response initiative. As part of phase 1, CAISO proposes to conduct a competitive solicitation process to arrange for Transferred Frequency Response with one or more balancing authorities (“BA”). This arrangement will help ensure CAISO’s compliance with NERC Reliability Standard BAL-003-1 (Frequency Response and Frequency Bias Setting) while CAISO considers long-term solutions to meet frequency response needs.

Powerex supports CAISO’s decision to proceed with a competitive solicitation process to procure Transferred Frequency Response. Powerex believes, however, that narrow revisions to proposed Tariff Section 42.2.1 (Procurement of Transferred Frequency Response) and the proposed definition of Transferred Frequency Response would provide greater clarity to those interested in participating in the competitive solicitation process.

First, while Powerex recognizes that Transferred Frequency Response involves obligations that must be performed by BAs, it should be expected that some BAs willing to commit to a performance obligation may wish to not engage directly in the commercial aspects of the arrangement. Minor revisions to the proposed definition of Transferred Frequency Response and the proposed Section 42.2 would help clarify that BAs are not the only entities eligible to submit bids and enter into a contract with CAISO related to Transferred Frequency Response. Because Powerex does not believe that CAISO intends to confine participants to only those BAs who are willing to engage in a direct contractual relationship with the CAISO, Powerex requests that CAISO revise its proposed tariff language as follows to make it clear that any Scheduling Coordinator authorized to commit a BA-specific transfer of frequency response may participate in the contemplated competitive solicitation process:

Transferred Frequency Response

A frequency response performance obligation offset expressed in MW/0.1 Hz that a receiving ~~balancing~~ Authority **may acquire under an arrangement whereby** from another ~~balancing~~ Authority **increases its performance obligation by the same amount, or that** a delivering ~~balancing~~ Authority **may provide under an arrangement whereby** to another ~~balancing~~ Authority **reduces its performance obligation by the same amount,** pursuant to a contract to transfer an amount of frequency response requirements under Applicable Reliability Criteria. Transferred Frequency Response is reported on applicable NERC/WECC forms, and applied consistently to each reported frequency

disturbance event. Transferred Frequency Response may reflect an aggregate amount from contracts with **involving** multiple balancing authorities.

42.2.1 Procurement of Transferred Frequency Response

If the CAISO concludes that it may be unable to provide sufficient frequency response consistent with Applicable Reliability Criteria, the CAISO may, acting in accordance with Good Utility Practice, take such steps as it considers necessary to ensure compliance. These steps may include the negotiation of contracts for Transferred Frequency Response. To the extent time permits, the CAISO will solicit bids for contracts for Transferred Frequency Response ~~with Balancing Authorities~~. The CAISO shall select the bids that permit the CAISO to satisfy Applicable Reliability Criteria.

Second, CAISO should consider revising the definition of Transferred Frequency Response to clarify the nature of the obligation that will be transferred as a result of the competitive solicitation process. CAISO's proposed definition of Transferred Frequency Response defines the product as "[a] frequency response performance obligation offset." It is unclear whether this language is meant to refer to the Frequency Response *Obligation* ("FRO") assigned to a BA in advance of each compliance period, or instead to the Frequency Response Measure ("FRM") that reflects the *performance* of a BA in response to frequency events during the compliance period. Powerex believes that FRS Forms 1 and 2 contemplate that Transferred Frequency Response will be taken into account when calculating a BA's FRM and expects that CAISO intends to refer to a transfer of performance. Powerex does not believe, however, that the calculation of a BA's FRO is affected by Transferred Frequency Response. To provide greater certainty to CAISO and those entities interested in participating in the contemplated solicitation process, Powerex suggests that CAISO clarify whether the proposed definition is intended to refer to a transfer of the FRO or the performance obligation under the FRM.