Stakeholder Comments

SCE Comments on Flexible Ramping Product

Submitted by	Company	Date Submitted
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The following are Southern California Edison's (SCE) comments on the California Independent System Operator's (CAISO) November 11, 2015, Revised Draft Technical Appendix[1].

SCE cannot form a position on empirical performance until adequate time is provided for data analysis

The CAISO should provide stakeholders with sufficient time to analyze the data release through OASIS and CMRI. The data should provide stakeholders with an understanding on total requirement estimation, demand curve derivation, resource specific movement, and uncertainty estimation. Understanding the interaction between these variables within the data will take time and SCE cannot support moving for Board approval without a proper understanding of how this product will perform with empirical measures. Further, since SCE has requested an offline walkthrough of the entire process. Since sample FRP supply and price formation is not possible through the provided data release, comprehending the interactions with the OASIS and CMRI datasets is even more crucial prior to any finalization of the proposal.

SCE cannot not support the proposal until the CAISO first demonstrates virtual bidding functions efficiently within the FRP design

The CAISO should explain the interaction of virtual bids with the flexible ramping products. With FRP only procured in the Real Time Market (RTM), the CAISO's RT model and its method for energy price formation would differ dramatically from that used in the Day Ahead Market (DAM). Flexible ramping constraints that are part of the FRP model will likely drive RT prices higher. Virtual bidders will exploit any systematic difference in price formation between

[1] http://www.caiso.com/Documents/RevisedDraftTechnicalAppendix-FlexibleRampingProduct.pdf

the DAM and RT. The CAISO is yet to discuss any consideration of virtual bidding and FRP together. SCE requests the Department of Market Monitoring (DMM) and the Market Surveillance Committee (MSC) investigate this design, and comment on the functioning of virtual bids in light of the FRP design. Until the CAISO can demonstrate that FRP works efficiently with virtual bidding, the FRP design is not complete or sufficient. And, as such, as a deficient design proposal it should not move forward.

SCE questions the reasonableness of any proposal that does not include regional procurement of FRP

As SCE has stated in the past, SCE would support even a simple proposal such as using the existing Ancillary Services (AS) regions. Without a locational component, the CAISO may buy FRP that gets stranded due to congestion, and the FRP is unable to serve the need for which it was procured. This will lead to the CAISO likely increasing procurement targets for the affected areas. Such an outcome would be unreasonable and inefficient.

Any methodological flexibility with uncertainty procurement should be capped at the demand curve

As SCE understands, the CAISO requests flexibility in estimating the FRP procurement for uncertainty FRP while the FRP procurement for forecast movement will remain the same. Further, as SCE understands, the uncertainty procurement was initially proposed to be entirely dependent on the demand curve. The CAISO now proposes to be allowed unspecified leeway with FRP procurement for uncertainty that should allow the CAISO to improve on the process by reducing the error in forecast (uncertainty). The process for determining uncertainty will be presented in the BPM and the CAISO proposes to reduce forecast error through learning over time. The CAISO proposes that stakeholders involve themselves in the BPM process to work with the CAISO to enhance the uncertainty methodology. The uncertainty methodology will remain in the BPM process, not in the tariff. If SCE's understanding as explained above is correct, then SCE is supportive of this proposal conditional on any uncertainty procurement being capped at the maximum of the demand curve recommended level.