



SDG&E Comments on March 15, 2012 Flexible Ramping Product Cost Allocation Straw Proposal

| Submitted by | Company | Date Submitted |
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SDG&E is pleased to provide comments on the above referenced proposal. We appreciate the CAISO's effort to implement a rational, principle-based approach to cost allocation, and believe this proposal is a strong step in that direction. With that support as background, SDG&E submits the following comments for consideration:

- SDG&E supports the baseline concept because it aligns closely with the procurement of flexible ramping. For load, SDG&E requests a more detailed discussion of how the CAISO produces the 15-minute interval profile for load. For example:
 - o Will a load forecast be generated for the entire system or by TAC?
 - o How near to the actual RTPD period will the CAISO produce the binding (for cost allocation purposes) load forecast?
 - o Will the CAISO use its own EMS load data to determine the actual load used for FRP cost allocation?
 - o What data transparency and quality control measures would be appropriate?

- SDG&E requests an example to illustrate the UIE1 and UIE2 calculations and how these values are used to allocate FRP costs. Also, SDG&E would appreciate a discussion of

whether these two allocation buckets should receive the same or different per MWh allocations based on the contribution of each to FRP costs.

- What are the challenges in implementing hourly profiles for load, PIRP resources and interties based on 5-minute rather than 15-minute granularity? A 5-minute profile would put these resources on the same footing as dispatchable generators and provide the CAISO with information to more precisely forecast FRP requirements and allocate costs.
- In the FRP proposal, the CAISO noted that part of the need for FRP is based on the uncertainty of unit outages. However, the allocation proposal is written such that if a generator perfectly follows ADS it would avoid any FRP cost allocations, even though some of the FRP costs were incurred to guard against generators forced out of service. Because this risk drives some amount of FRP procurement, it may be appropriate to allocate some of the FRP costs as an uplift on total generation or Pmax, in addition to the UIE quantities.
- SDG&E supports the inclusion of PIRP resources in the allocation proposal. Not only does this approach adhere to guiding principles, it provides effective price signals on the value of accurately forecasting wind generation. Such information should enable the market to integrate RPS resources over the next several years in a cost-efficient manner. The FRP cost allocation assignment feature also gives market participants the option to shift cost allocations amongst themselves based on the terms of bilaterally negotiated agreements.