

Stakeholder Comments

Frequency Response Draft Final Proposal and Stakeholder Meeting, February 4, 2016

Submitted by	Company	Date Submitted
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SDG&E appreciates the opportunity to comment on the Frequency Response Draft Final Proposal from February 4 and stakeholder call on February 9 as well as CAISO's continued development of methods to comply with the BAL-003 NERC requirements. SDG&E believes the Phase 1 methods for 2017 compliance are sound and reasonable and finds a multi-phased approach to be prudent. SDG&E would like the CAISO to more generally consider solutions for Phase 2 future compliance methods. We find it premature to define a market product as the solution to long term compliance.

Phase 1: Near Term 2017 Compliance

SDG&E supports CAISO's mix of solutions to meet Frequency Response requirements for the 2017 compliance period (Dec 2016- Nov 2017): procuring transfer frequency response (TFR) from external BAs, revising tariff requirements for participating synchronous generators on governor settings and having the ability to designate reserves as contingency only reserves. SDG&E agrees with CAISO, the mix should provide for enough Frequency Response to meet requirements. And, in the event there are reliability-based penalties, SDG&E agrees with allocating penalty costs in accordance with tariff section 14.7.

Phase 2: Long Term Compliance Approaches

It is premature to decide on a long term compliance method as the CAISO seems to be doing in section 7.3 of the Draft Final Proposal. It is too early to know a market product will be cost effective or necessary to meet long term Frequency Response compliance.

Instead, SDG&E proposes the CAISO use the monitoring and reporting identified in section 7.2.6 of the Draft Final Proposal as a way to gauge the performance of Phase 1

compliance instruments and start to build Phase 2 compliance from a data driven position. CAISO and market participants may come to find that the instruments are working well and prove to be the best fit for reliability and cost effective for the system. Crafting, creating and implementing a new market product requires time and investment from both the CAISO and stakeholders. All possible solutions to meet long term BAL-003 compliance should be considered and evaluated in Phase 2.

SDG&E request more robust analysis before deciding on design for long term compliance. There are many factors estimated to change in the future for consideration such as an increase in energy storage, the possible integration of PacifiCorp in to the Day Ahead market and more market entrants in to the EIM. The resource mix of PacifiCorp may provide a favorable mix for frequency response. And, other BAs may follow in suit joining the DA market after joining in the EIM. As previously mentioned, the PacifiCorp integration benefits study touted by CAISO on PacifiCorp's entry to full participation in the DA market noted the benefits to Frequency Response as one of the benefits of integration. Also, storage can effectively supply Primary Frequency Response, and we know the 3 IOU's must integrate 1,325MW by 2024 and perhaps much more will become available sooner.

Lastly, FERC recently issued a Notice of Inquiry (NOI) on topic of Frequency Response. This implies there may be direction from FERC in the area of Frequency Response. There may be value in waiting to see what action FERC takes and how this affects compliance.

In summary, for the reasons mentioned above, it is premature to propose a compliance method for Phase 2 of Frequency Response. Some compliance experience with BAL-003 in the short term will benefit the development of a long term product.