

Stakeholder Comments

Frequency Response Working Group, December 14, 2015

Submitted by	Company	Date Submitted
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SDG&E appreciates the opportunity to comment on the Frequency Response Working Group held December 14th as well as CAISO’s continued development of methods designed to comply with BAL-003 NERC requirements. SDG&E continues to support the CAISO’s initial position of outlining a short term response, phase 1, to meet early compliance while leaving a long term solution, phase 2, for continued development and evaluation as the system’s responses are better known. SDG&E requests a more robust analysis of possible short term methods to comply with BAL-003. SDG&E appreciates the CAISO considering a Frequency Response Sharing Group as a possible method to meeting compliance. Additionally, CAISO should produce data for stakeholders to review for the proposed option of relying on additional spinning reserves to meet possible primary frequency response (PFR) needs.

First, SDG&E appreciates the CAISO taking a more thorough look at the notion of a Frequency Response Sharing Group (FRSG) as a possible solution to meeting the NERC BAL-003-1 requirements at the least cost. Where there is excess supply of frequency response, it is well worth exploring if this is the most economical method to meet frequency response obligations. The presentation from BPA illustrated there is a possible partnership opportunity. Now, it is worth some further analysis on the cost of a partnership of this nature.

SDG&E agrees with a phased approach to designing methods of meeting obligations. Near-term compliance will require leveraging the existing fleet of regional resources. However, we caution the CAISO on developing phase 2 strategies too early before we have additional data on how our evolving portfolio mix is able to meet frequency events given proper incentives or the possibility and effectiveness of a FRSG. Additionally, as we look at the phase 2 compliance design, it is important to consider what the resource and market landscape may look like in 2018 and beyond. For example, storage resources will have the ability to provide frequency response and the state mandate

provides expectation the CAISO system will have at least 1,300 MW capacity of storage by 2020. If the adoption of renewable energy based on state mandates provides any guidance, we may expect some percentage of the storage obligation online prior to the 2020 deadline.

Thus, SDG&E believes Powerex's phase 2 proposal is premature. Powerex proposes 'capacity like' payments either via a centralized forward procurement market or by amendments to LSE's Flexible RA program. SDG&E does not support designing capacity like payments until we know this mechanism is necessary to drive investment in resources ability to provide frequency response. Another RA type payment risks adding a potentially unnecessary cost in the form of a frequency response capacity payment in addition to a market product which would provide a revenue stream for the service provided. The market and stakeholders do not have enough information at the present time to know an additional RA or capacity payment is warranted in the long run. Thus, we recommend waiting on phase 2 design.

SDG&E continues to request attention to cost and detail of meeting compliance for BAL-003-01. Options to meet the early stage compliance, phase 1, should be analyzed on a cost basis to see if modeling the frequency response deficiency and procuring reserve is more cost effective than contracting with other BAs to meet obligations. Phase 2 should not be developed at this point. The stakeholder process should outline phase 2 options and wait see how phase 1 solutions are faring.