

**Sempra Generation Stakeholder Comments:
Flexible Ramping Product Straw Proposal
November 14, 2011**

Submitted by	Company	Date Submitted
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Sempra Generation appreciates this opportunity to provide the following comments regarding the Flexible Ramping Product Straw Proposal, issued by the CAISO on November 1, 2011.

- The flexible ramping product procurement costs should be allocated in a manner consistent with other ancillary services.

The straw proposal contains a cost allocation approach which would allocate a portion of the flexible ramping product costs to generators. Other ancillary services such as spinning and non-spinning reserves, however, are allocated directly to loads. The allocation of ancillary service costs to loads is simple and efficient, and should also be used to allocate flexible ramping costs. The CAISO integrated forward market provides a co-optimized/least cost commitment and dispatch framework to minimize the cost of energy and ancillary services procurement to meet system load. Given the CAISO markets efficiency in this regard, there is little benefit to be gained by a complex algorithm which would allocate a portion of this particular ancillary service back to generators. The flexible ramping product, which provides incremental online ramping reserves if needed, is no different than other ancillary services and should utilize the same cost allocation approach to loads.

- In the event that the CAISO retains allocation of flexible ramping costs to generators, the costs should be assigned to the associated load serving entities under existing contracts.

The proposal does not address that fact that many generators have contracted their plant output to load serving entities, without a mechanism to recover

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flexible ramping costs. In many cases the generator contracts are for the life of the project. To the degree that the CAISO proposal seeks to provide incentives to reduce generation variability going forward, these signals can be effectively utilized by loads sponsoring new generation via long term contracts. The assignment of resource specific costs to loads is also consistent with the CAISO's proposed approach to allocating imbalance costs associated with the PIRP program¹. As a result, if cost allocation to generators is retained, the proposal should be revised to assign flexible ramping costs to the associated load serving entity contracting for a generator's output.

¹ CAISO Draft Final Proposal – Renewable Integration Market and Product Review Phase 1, 11/4/2011, section 2.3, page 6