

Flexible Ramping Product Revised Draft Final Proposal, August 8, 2012

Submitted by	Company	Date Submitted
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Sempra US Gas and Power appreciates this opportunity to provide the following comments on the “Flexible Ramping Product Revised Draft Final Proposal” issued by the CAISO on August 9, 2012 (the “Proposal”). As requested in the ISO’s August 10, 2012 Market Notice, the following comments address topic in the Proposal relating to the allocation of flexible ramping costs to supply resources.

Section 6.3.3 of the Proposal discusses a threshold for allocation to the supply category. The threshold is to “recognize that perfect adherence to dispatch is not realistic based upon resource operational characteristics”. The CAISO proposes that this threshold be 3% based on the resource instructed energy for all resource types. However, given that generation from wind and solar (PV) resources is inherently more variable than thermal resources, Sempra USGP suggests that the accuracy of forecasting and scheduling should be included in establishing the threshold for these resources. In other words, if the forecasting accuracy for the interval is 15% for a variable resource, then the 3% dead-band would be added to the 15% forecasting accuracy for a total threshold of 18% for the resource.

Section 6.7 of the Proposal addresses assignment of flexible ramping costs to scheduling coordinators. As stated previously in Sempra USGP comments, we believe that Flexible ramping costs are most appropriately assigned to the contracting Load Serving Entity (LSE) scheduling coordinator. New renewable resource commitments are largely made through long term contracts based on an LSE’s assessment of the costs and benefits of various resource options. Once the long term resource commitment is made, there is little opportunity to modify the system ramping needs required by the resource as a result of variability in the renewable wind or solar fuel source, for the life of the project. Therefore, the incentive to align cost causation with cost allocation under the guiding principles is best achieved by assigning the supply portion of flexible ramping costs to the contracting LSE making the long term supply commitment.