

Western Power Trading Forum Comments on July 11, 2012 CAISO Flexiramp Product Supplemental Proposal

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WPTF appreciates the opportunity to submit these comments on the supplemental proposal materials for the Flexiramp product (FRP) provided on July 11 and discussed at the July 17 stakeholder meeting. WPTF offers the following comments.

Driver for FRP Still Not Defined

Whereas the CAISO has indicated that its recent thinking was due, at least in part, to requests from parties like WPTF to clarify the purpose of the FRP procurement (e.g., for reliability reasons vs. economic reasons) the CAISO has not yet provided such clarification. Given what seems to be the tendency toward an economically-based procurement WPTF presumes the product is for cost-efficiency purposes primarily. To that extent that is not the CAISO's intent, we suggest the CAISO provide further clarification and that it reconsider the demand-curve based pricing structure.

Procurement based on Real Need seems to offer higher nominal efficiency let leave uncovered events in a direction opposite to the predominant ramp direction

Based on the ISO's representation of the new option of procuring ramp based on the real ramping need (at time  $t$ ) rather than an expected ramp need (at time  $t+5$ ), WPTF expects that such a "real need" procurement would more often result in ramping capacity that would be efficiently used by the market. However, WPTF also believes that such a strategy may leave the ISO less covered in the event of unexpected market changes that are in a direction opposite to the predominant ramp. For example, if "real need" procurement causes the CAISO to procure more upward ramp during the morning ramp hours, and the ramp comes in lower than expected while, for example, there are unexpectedly high winds, the CAISO would be more likely to end up being short on downward ramp. Similarly during periods of downward ramp the CAISO would be more likely to be short of upward ramping capacity. WPTF does not at this time have a strong position about which approach is "better". WPTF does believe however, that (assuming the product is for economics and not to maintain a reliability requirement) that if the market bears the true cost of running out of ramp then it is less important what part of the probability distribution of the ramping needs the CAISO wishes to cover, be it the range of more expected events, or a broader range of events more to the tails of the probability distributions.

Implicit vs. Explicit approaches to procurement need further study

As indicated above, WPTF does not believe the CAISO has clearly indicated that the FRP is serving only an economic need. To the extent it is serving a reliability need, than a demand-curve based procurement may be inappropriate. Secondly, WPTF believes the probabilistic approach warrants more

vetting of the method that would yield the probabilities as well as more discussion regarding the extent to which the penalty price provides a robust leveraging point for the demand curve.

#### CAISO has not yet articulated well the cost-causation basis for allocation

WPTF appreciates the CAISO's ongoing consideration of efficient cost allocation methods. However, it is not clear from the 7/11 paper or the 7/17 discussion the impact that a scheduled "movement" cost allocation would have. For example, if a self-schedule changes across the hour, yet is predictable, is it more likely that the CAISO's unexpected ramping need will be higher during those hours? WPTF encourages the CAISO to continue to articulate whether it is normal ramps that drive the need for flexi-ramp or if it is unexpected ramps that drive the need for flexiramp. Similarly, WPTF would like further analysis such as historical data and further cost-causation consideration regarding variable resource deviation calculations.

#### WPTF has additional minor points about cost allocation

We request further consideration with request to two more minor points. WPTF would benefit from some examples with respect to the proposal to allocate costs based on movement. WPTF also notes that some of the CAISO's July 11 numerical examples indicate that they do not include internal self-schedules. WPTF suggests that to the extent the CAISO continues consideration of movement-based allocations that it provides data inclusive of this category.

#### WPTF supports hourly settlement and a monthly resettlement

We support the CAISO's proposal to calculate settlements hourly but resettle using average monthly rates.