

Subject: Flexible Ramping Product Revised Draft Final Proposal

Submitted by	Company	Date Submitted
<i>Doug Davie /Grant McDaniel</i> ddavie@wellhead.com gmcdaniel@wellhead.com (916) 447-5171	<i>Wellhead</i>	8/23/12

Wellhead appreciates this opportunity to comment on the CAISO’s Flexible Ramping Product Revised Draft Final Proposal.

Wellhead supports the flexible ramping product (FRP) as proposed; however, we have two issues which we seek clarification from the CAISO on the allocation of the costs of the FRP. Specifically, Wellhead is unclear as to why any FRP costs beyond the minimum requirement should be allocated to either the fixed ramp, or to supply, as this appears to produce an unintended cost shifting (the “above minimum” purchases are made for an economic benefit which seems to result in a cost responsibility transfer). In addition, Wellhead seeks clarification that test energy is exempt from FRP costs since the deviations that can be expected during the delivery of test energy have historically been accommodated.

Wellhead appreciates and supports the efficiency that the use of the demand curve will bring to the purchase and the subsequent dispatch of the energy necessary to meet the real ramp in the RTD period it is actually needed; however, as CAISO has made clear, all FRP purchased beyond the minimum requirement is not necessary. It seems to Wellhead that any additional FRP purchased is an economic benefit to load. As such, Wellhead is struggling to see that anyone but load should be responsible for these additional purchases since they seem to be the beneficiary of any “above the minimum” purchases.

Wellhead also seeks clarification that test energy is exempt from FRP cost responsibility. Test energy has been historically accommodated by the market as a necessary part of ensuring grid reliability (i.e. test energy is not new and is not adding to the historic need for flexible resources that have been historically procured as ancillary services). The ability to fully test generators to ensure reliability is critical and a generator should not be penalized for doing what is reasonable/prudent.

In conclusion, Wellhead supports the flexible ramping product (FRP) proposal, but requests that the CAISO ensure that generators and other suppliers are only allocated the costs of FRP that are necessary, and that new impediments to reliability are not unintentionally introduced.