

Western Power Trading Forum Comments on RIMPR2 August 29 Draft Policy Paper

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WPTF is pleased to present these comments on the CAISO's September 18 white paper and related stakeholder meeting.

1. Short-term Market Enhancements

1.1. Regulation Energy Management, Dynamic Transfer Policy, Flexi Ramp, RIMPR1 items

WPTF has submitted prior comments on these topics and does not have additional comments about these items at this time.

1.2. 72-RUC

WPTF would like more information about the intended RUC changes. We would also like to confirm that only long-start RUC units would have the possibility of being committed under a 72-hour RUC regime and that shorter start units would not be committed earlier than necessary.

1.3. More granular VER RUC forecasting

We believe that meeting the variability needs warrants a market-based service. Therefore the variability should be fundamentally addressed through a product like flexi-ramp and not through RUC.

1.4. Start-Up/Shutdown profiles

WPTF has no objections to improved modeling but looks forward to addition information about under what conditions the ISO would make use of the generator start up profile and when the profile would be "turned off" as indicated in the ISO's white paper.

1.5. Enhanced contingent/non-contingent Operating Reserve Management

WPTF supports the enhanced contingent/non-contingent operating reserve management both for status quo operating reserves and importantly to the extent that operating reserves are used in the interim to provide flexiramp services.

2. Mid-term Market Enhancements

2.1. Flexi-Ramp

Note that WPTF has already indicated to the CAISO that we support prompt (e.g., prior to summer of 2012) replacement of the flexible ramping constraint. WPTF encourages an accelerated timeline relative to that proposed by the ISO in this process and encourages the use of non-contingent reserves in the short run.

WPTF seeks additional information from the CAISO on the basis of the need for the flexiramp, be it for price-efficiency reasons or reliability reasons. Understanding the driver for flexiramp will enable determination of the appropriate quantities and cost allocation.

IFM/RUC Coordination and Co-optimization

First, WPTF believes that co-optimizing RUC and IFM is unrelated to renewable integration. Should the ISO wish to consider IFM/RUC co-optimization we suggest this effort be split off from the RI efforts so as to not slow progress on the mid-term RI initiatives.

Second, WPTF wishes to see further information about what it would mean to co-optimize RUC and the IFM. RUC procurement should be incremental to the IFM procurement. This suggests any further integration would not result in a full co-optimization, but rather – perhaps – an iterative approach such as a run of the IFM, a RUC run, and then some final IFM run that may account for example for the RUC energy. We ask the ISO to further clarify the intent of cooptimization.

Regarding coordinating with flexiramp, WPTF questions the CAISO's characterization of the need for the coordination between the IFM and RUC regarding flexi-ramp procurement. Certainly resources procured to provide flexiramp may provide additional on-line capacity and alleviate the need for RUC commitments. However, WPTF believes it would be an inappropriate expansion of RUC to plan to rely upon RUC commitments to *forego* procuring flexiramp through the markets. With respect to the CAISO's white paper statement: "The extent to which flexi-ramp capacity is dispatched and sets prices in the normal RTD process may need to be managed, however, by introducing a parameter in the market optimization to maintain sufficient flexi-ramp capacity over the RTD time horizon where ramping needs are expected to persist; this will be a topic for further discussion" WPTF believes that dispatched flexiramp should set prices. WPTF would like additional information about the "parameter in the market optimization" that the CAISO feels may be needed.

WPTF is pleased to consider algorithms that consider the probability of, and cost of, dispatching flexi-ramp products. However, for this design aspect it seems that the "devil is in the detail" of how the CAISO will assess the probability of dispatch and how the energy bids are incorporated into the LMPs.

WPTF feels strongly that flexiramp should be procured as part of the IFM to address variability and energy ramping needs. RUC is intended only to address reliability needs associated with the difference between bid-in load and the load forecast. The RUC procurement can be incremental to the flexiramp procurement (and thereby potentially reduced by flexiramp procurement). But RUC should not be used in lieu of market based procurement of flexiramp.

Bidding Rules

Regarding changing bids between DA and RT, if the CAISO believes bidding rules are warranted then further details should be developed. For example, the bidding rule may only need limit a participant's ability to change bids in one direction (e.g., cannot raise bids between DA and RT when awarded flexi-ramp up).

Procurement Interval

WPTF has not yet formed a strong position about the best procurement interval. However, a 10-minute procurement would be consistent with other ISO services.

Procurement Targets

WPTF strongly encourages the ISO to define what is driving the flexiramp procurement such that more specific targets and the more general methodologies that will be used to establish specific targets. In particular procurement of flexiramp should be linked to specific reliability needs and/or economic motivating factors, and each set of these may drive different procurement means (e.g. vertical demand curve vs. price-based demand curve). We do question the extent of the ISO's role: is it to balance variability that would otherwise force the ISO into reliability challenges, to go further and remove the most egregious price spikes, or to remove as much variability as possible? It would seem the statistical factors the ISO references (pg 32) should be driven by the agreed-upon policy objective.

Cost Allocation

WPTF again requests further clarification on the drivers for the flexi-ramp. If flexiramp is purely a reliability service its costs should be allocated more in a pro-rata fashion. Any allocation beyond that should be driven by cost-causation principles.

Performance

Performance obligations should be consistent with those of the CAISO's other ancillary services.

Bid Cost Recovery

Bid cost recovery should be provided, the precise nature of which will depend on the final design of the flexi-ramp product.

Alternative Flexiramp Proposal

WPTF strongly encourages the use of non-contingent reserves to replace the flexiramp constraint for immediate implementation until the bid-based flexi-ramp service can be implemented.

2.2. VER Availability Upgrades

WPTF does not oppose a method to update output targets. We seek additional information, however, on how updates would affect settlements. Would, for example, variable resources avoid the allocation of certain charges that would normally accrue to imbalances or would such resources receive different energy prices if schedules can be updated?

We ask the ISO to provide this additional detail and allow follow-up stakeholder input. WPTF appreciates that VERs may have variation due to factors other than outages or economic choices. At the same time, however, the impact on the grid of variability from VERs may be the same as the impact on the grid from thermal resources, and this might suggest it is not appropriate to have different treatment for VERs than for thermal resources. WPTF looks forward to further discussion once the ISO makes available additional information about what the settlements implications would be of allowing schedule adjustments.

2.3. Dec bidding for PIRP Resources

WPTF would like further information about the settlements impacts when PIRP units submit DEC bids. For example are the awards settled just as if they were real-time instructions like those of thermal units, or might there be some uplifts that could accrue? We ask the ISO to discuss these details and allow subsequent stakeholder comments.

2.4. Intertie Pricing

WPTF supports clearing the intertie bids in real-time, in particular in order to ensure the continued viability of convergence bidding at the ties and to eliminate other market distortions. We also support the initiation of a cross-market work group to resolve specific issues related to intertie settlement.

WPTF suggests moving away from emulating the NYISO's market rules given both the differences in California and the fact that the NYISO itself is migrating away from its current market design.

WPTF would like further consideration of the merits of symmetrical bid cost recovery. One-sided bid cost recovery seems simply inappropriate.

WPTF is opposed to the CAISO's rule to clear only off-peak bids in real time. It is a partial solution that runs the risk of unintended consequences given the bifurcated treatment.

3. Long-term Market Enhancements

3.1. Forward Procurement

WPTF looks forward to further development of the forward procurement policies and encourages continued work to refine the forward procurement policies. We encourage the ISO to work diligently in this area. The ISO's own studies recognize the impending need for additional flexible, responsive resources. Such resources may take 7-9 years or more to site and build. Time is of the essence to find a mechanism that incents development of such resources.

Lastly, WPTF would like further discussion of whether and how the Real-Time Imbalance Service, or something like it, might still fit into the long-term range of solutions.