Brookfield

Brookfield Renewable Energy Group
Brookfield Energy Marketing Inc.
480 de la Cité Blvd
Gatineau, Québec J8T 8R3

Tel 819.561.2722
Fax 819.561.7188
www.brookfieldrenewable.com

Comments to Product Supplemental Proposal for Flexible Ramping Product

Submitted by	Company	Date
Margaret Miller - (916) 673-3082	Brookfield Energy Marketing LP	July 24, 2012

Brookfield Energy Marketing LP ("Brookfield") submits the following comments to the Flexible Ramping (FR) Product Supplemental: Foundational Approach dated July 11, 2012.

Brookfield continues to fully support the CAISO's transition from the flexible ramping constraint to a bid based co-optimized capacity product. We also appreciate the CAISO extending the schedule for this stakeholder initiative to take more time to address the complexities around the design of flexi ramp. Our comments are specific to the cost allocation portion of the proposal as it pertains to supply resources.

We believe the cost allocation proposal is headed in the right direction and we support the modifications to the proposal to include the 3% threshold, the benefits of netting within resource categories and the monthly re-settlement provision. However, we outline several concerns with the proposal below that have been raised previously but have not yet been addressed by the CAISO.

<u>CAISO has not addressed market enhancements needed to lower integration costs</u>

Brookfield along with other market participants have submitted multiple comments encouraging the CAISO to consider market enhancements that will lower integration costs of intermittent resources prior to determining appropriate cost causation for the new flexible ramping product or any other reliability products. Without first evolving the design of the market to reflect the changing resource mix there will be inevitable costs simply due to the unique operating characteristics of intermittent resources.

There are a number of key market enhancements that should be considered first to reduce the cost of integrating renewable resources to ensure that costs can be managed, all which have been raised previously.

Brookfield

Brookfield Renewable Energy Group
Brookfield Energy Marketing Inc.
480 de la Cité Blvd
Gatineau, Québec J8T 8R3

Tel 819.561.2722
Fax 819.561.7188
www.brookfieldrenewable.com

Those key market design enhancements are:

1) Modify market timelines to allow intermittent resources to update schedules closer to real-time in order to increase accuracy and reduce schedule deviations;

2) Allow more granular scheduling;

3) Enhance PIRP program to incorporate DEC bidding to encourage wind resources to provide flexible capacity; and

4) Evaluate further incentives to reduce self-scheduling by supply fleet overall.

We request the CAISO evaluate these market design enhancements prior to or in tandem with developing a new cost allocation methodology. The CAISO has yet to respond to stakeholder comments on these recommendations.

<u>Changes to cost allocation should not negatively impact existing PPAs</u>

As stated in our prior comments most existing generators with PPAs receive a fixed price for energy sales with no means to pass through costs to load. Imposing unknown and unplanned costs onto generators creates commercial uncertainty and can potentially have a negative impact on the economics of existing PPAs. We request the CAISO avoid impacting existing PPAs by either 1) ensure existing contracts are exempt from new cost allocation proposal; or 2) allocate costs for flexible ramp directly to the LSE that receives the output of the generator. The latter option would have the additional benefit of allowing LSE's to factor these additional costs into their procurement decisions.

<u>Examples of cost allocation based on movement are needed</u>

The idea that the procurement of flexible ramp would be driven by anticipated movement in a 10-minute period across resources rather than by gross deviations makes sense in concept. Additional examples of how movement would be used as a basis to allocate costs would be beneficial and help market participants to better evaluate the two different options that have been proposed.