

California Department of Water Resources State Water Project Comments On CAISO's Flexible Ramping Products December 13, 2011

On November 29, 2011, CAISO published the Flexible Ramping Products (FRP) Revised Straw Proposal. The reason for this proposal is to address near real-time shortages of upward and downward ramping capability by developing a market-based flexible ramping product. The following week on December 5, 2011, CAISO hosted a stakeholder meeting to discuss proposed changes. California Department of Water Resources State Water Project (SWP) appreciates the opportunity to submit comments on FRP.

Comments

1. Cost Allocation and Cost Causation

As stated in SWP's comments to CAISO's November 1, 2011 straw proposal regarding flexible ramping products, cost allocation should align with cost causation. SWP is dismayed that CAISO has reversed its position on this principle during the time between the previous proposal and this revised proposal. Further delay to fair allocation of costs is unwarranted and causes disincentive for resources to correct operations that are contrary to system operational and reliability needs.

The primary reason for the development of CAISO's flexible ramping product, as stated in the introduction of the FRP, is "to address the operational needs in real-time market facing the upcoming challenges from increasing renewable penetration." Further into the introduction, "The flexible ramping products specifically target the imbalance differences that arise between the RTPD and RTD, which are 5-minute variability and uncertainties from the RTPD point of view." The causes of variability and uncertainty were highlighted during the December 5, 2011 stakeholder meeting presentation and included variable energy resource profile and variable energy resource forecast error. Allocating FRP costs solely to metered demand would be unjust and unreasonable, comparable to FERC's December 12, 2011 Order in Docket ER12-50 regarding CAISO's Flexible Ramping Constraint.

2. Eligible Resources

SWP has supported CAISO's recent technology agnostic or open approach to resources that are technically qualified to participate in CAISO's markets as indicated in the Renewables Integration Market and Product Review (RIMPR). Similarly, FRP is a proposed new market product and CAISO should allow a technically capable resource that meets the requirements to participate to the degree in which it is capable, even if for just one interval, if the resource so elects. Otherwise, CAISO is prematurely raising barriers to participation, including Participating Load, which is adverse to its stated needs.