

Western Power Trading Forum Comments on CAISO 12/13/13 Flexible RA and Must Offer Requirement
Workshop Proposal

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WPTF appreciates the opportunity to submit comments on the CAISO's December 13, 2013 FRAC MOO workshop discussions.

A Tiered approach to acceptable FRAC levels hold promise over technology specific MOOs

WPTF is optimistic that the CAISO's proposed procurement minimum requirements and caps, by flexibility levels, offers an improvement over the previously proposed resource-specific MOOs.

The tiered approach is technology neutral, and it will likely establish a higher demand for those resources that can more likely meet more of the ISO's flexibility needs. Should the ISO pursue this approach, and if the ISO were to implement non-performance penalty, however, the penalties would have to be commensurate with the offer obligation. That is, for example, if a higher resource tier carries only 20% of the offer requirement of the first tier resources, that resource should have a penalty if it is unable to offer for one of its offer hours.

WPTF supports deferring the development and application of FRAC MOO penalties at this time

Deferring the development of penalties at this time is rational given the expected over-supply of FRAC. Deferring application of penalties for failing to offer avoids having to reconcile the application of a penalty under conditions when the ISO does not need to replace the FRAC that failed to offer. Waiting until the ISO has experience with FRAC and until the development of the reliability supply auction is also beneficial.

Should the ISO need to backstop FRAC the CPM mechanism is likely workable – at least in the near term

Consistent with the above, FRAC may have limited incremental value in the near term. Given that it is unclear how the ISO would otherwise determine an appropriate price for FRAC procured through a backstop mechanism. Use of the ISO's current mechanism would replace the FRAC at the same price as generic capacity. However, given that if the FRAC backstop required an additional offer requirement, and given that a supplier could turn down a CPM selection by the ISO if the supplier found the CPM compensation to be insufficient for this offer burden, the use of CPM for backstop for the near term may be workable. WPTF would expect the reliability services auction would replace CPM as a backstop mechanism before such time as the FRAC is scarce.

WPTF supports the previously-proposed LRA allocation mechanism

We do not support the subsequent proposal offered by PG&E and agree with the majority of the workshop attendees that the previously proposed approach is preferable.

Thank you for your consideration.