

Western Power Trading Forum Comments on CAISO Flexible RA and Must Offer Requirement Third  
Revised Straw Proposal

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November 27, 2013

WPTF appreciates the opportunity to submit comments on the November 6, 2013 Fourth Revised Straw Proposal for flexible RA capacity and MOO ("FRAC MOO").

WPTF wishes to reiterate comments previous submitted that are still "in play"

- Counting rules for various classes of resources still need to be resolved in a manner that provides equity between the contribution, the obligation and the compensation.
- We support the "adder method" for counting flexible performance.
- We continue to encourage allocation based on LSE's coincident peak ramp. (WPTF does not support PG&E's proposal for allocation on non-coincident peak load.) The ISO's selected allocation regime should be consistent with the ISO's overall FRAC drivers.
- Further refinement is needed for combined heat and power resources to ensure that they retain their ability to self-schedule above Pmin while being incented to offer economic bids associated with flexible capacity and to provide clarity for parties' bilateral contracting processes.

The FRAC MOO replacement policy and penalty prices requires rethinking

The ISO first needs to develop a clear policy on the backstop procurement of FRAC in cases where one or more FRAC suppliers have not offered economic bids for their flexible range. WPTF supports a policy whereby the ISO would backstop the FRAC only if the ISO believed doing so was necessary for reliability purposes. In other words if market conditions and/or other showings suggest sufficient FRAC has bid into the markets then the ISO would not replace any FRAC that failed to offer economic bids. In any event this policy needs to be clear to support a design of penalty pricing.

Consistent with the discussion at the recent ISO stakeholder meeting, WPTF supports the establishment of a stakeholder work group to establish a workable penalty policy for a FRAC resource's failure to offer economic bids for flexible range during any particular period. Especially in light of (1) the likely surplus supply of FRAC in the short run and (2) the likely development of a reliability auction mechanism, an interim penalty that reflects the market-value of FRAC yet provides some incentive to bid is appropriate. The ISO's previous discussions and MSC discussion suggests that the Flexible Ramping Constraint does not provide a fruitful metric for the value of the flexible capacity. Thus we suggest a focused stakeholder work group to recommend a penalty value that balances various objectives.

Thank you for your consideration.