

SCE Comments on the Flexible Ramping Product Refinements Issue Paper and Straw Proposal

Name of Submitter	Name of Organization	Date of Submission
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SCE appreciates the opportunity to comment on the CAISO’s Issue Paper and Straw Proposal on Flexible Ramping Product (FRP) Refinements¹ published on November 14, 2019. This initiative arose from the identified shortcomings of the Flexible Ramping Product that were presented within the Price Performance Analysis² study that was conducted, recently, during the spring and summer of this year. Given the issues raised within the Issue Paper and Straw Proposal, SCE offer comments in relation to:

1. Proxy Demand Response Eligibility
2. Retention of the FRP Award in the buffer interval
3. Minimum FRP Requirement
4. Deliverability Enhancement

Proxy Demand Response Eligibility

SCE supports the CAISO’s proposal that requires Proxy Demand Response (PDR) resources to self-select their dispatch capability – 60, 15 or 5-minute – for inclusion in the Master File; and, the establishment of a monitoring process for resource performance tracking which is intended to ensure that the resource performance declaration is consistent with the resource’s actual performance. Since only resources capable of 5-minute dispatch are eligible for supplying the FRP, the proposed solutions should avoid FRP awards being made to PDR resources incapable of the performance required for the supply of FRP.

The CAISO should consider having a default performance value that the CAISO may enter to prevent FRP awards being allocated to resources incapable of performing when called to supply FRP. The value should be applied when the wrong performance option or no performance option is declared for the resource.

Retention of the FRP Award

SCE supports the application of the recent FRP award from the prior fifteen-minute market run as the FRP requirement for the buffer interval of the succeeding FMM run to ensure that the capacity remains in reservation for the supply of FRP rather than be diverted for energy dispatch. Though the FRP award applied to the buffer interval may differ from the potential FRP award in the succeeding FMM run, the

¹ *The Flexible Ramping Product Refinements – Issue Paper and Straw Proposal* : <http://www.caiso.com/InitiativeDocuments/IssuePaper-StrawProposal-FlexibleRampingProductRefinements.pdf>

² Price Performance in the CAISO’s Energy Markets, September 23, 2019 <http://www.caiso.com/Documents/FinalReport-PricePerformanceAnalysis.pdf> and CAISO Presentation, September 27, 2019, <http://www.caiso.com/Documents/Presentation-PricePerformanceAnalysis.pdf>

costs associated with the risk of being unable to satisfy the FRP requirement or being unable to satisfy the need when it arises in the real-time market may prove much larger than the preventative action proposed.

Minimum FRP Procurement

While the CAISO's proposal of a minimum procurement seems plausible, the practicality of this proposal is questionable for the following reasons:

1. In locations where local and zonal congestion are not acute, imposing a minimum procurement requirement introduces competitive behavior inside and outside the BAA that fails to reflect the scarcity or abundance of FRP supply
2. Depending on whether the procurement of FRP is nodal or zonal, price distortions can be introduced to the market outcomes since the incentive to bid the actual cost to supply the product may be misrepresented at locations with no acute constraints.

As a result, the CAISO should consider applying this requirement to BAAs prone to acute congestion on their interties which may impede the import/export capability of the BAA or where local constraints at the nodal or zonal level may affect the deliverability of the product.

Deliverability Enhancement

SCE understands the rationale for not awarding FRP to resources with zero opportunity cost due to intertie constraints or local constraints experienced by a BAA. Where this proposal runs into difficulty is the CAISO's consideration of nodal or zonal approaches to the procurement of FRP. In particular, the nodal approach introduces similar decoupling of the locational marginal price as is typical for energy into its components – energy, congestion and losses.

As a result, should the nodal approach advance, SCE is interested in answers to the following questions:

1. What economic interpretation may be attached to the congestion and loss components of the capacity associated with the FRP?
2. What relationship do those components have to similar components for energy in the market, if any?

The zonal approach to FRP procurement has potential since it will have a similar procurement framework as is practiced today for reserves procurement though the problems associated with internal congestion will require resolution.