

## Comments of Powerex Corp. on Flexible Ramping Product Refinements Implementation Update

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to submit comments on the CAISO’s May 10, 2022 *Flexible Ramping Produce Refinements – Implementation Update* meeting (“May 10 Meeting”), and the subsequent May 18, 2022 document (“May 18 Update”).

### **Background**

Powerex has been supportive of the CAISO’s efforts to address the flaws in the implementation of the Flexible Ramping Product (“FRP”), which have rendered FRP largely ineffective and resulted in prices at or near zero, even during critical conditions.

At the May 10 Meeting, CAISO explained that the FRP Refinements will limit EIM transfers for EIM entities that fail the RSE to zero.<sup>1</sup> While this was an integral part of the CAISO’s final proposal for FRP Refinements approved by the CAISO Board of Governors and the EIM Governing Body in late 2020, it appears that the CAISO has subsequently concluded that the approved proposal is inconsistent with the manner RSE failure consequences have been implemented in the EIM to date, in which EIM transfers for failing entities are limited to the **transfers in the last non-failing 15-minute interval**. Stakeholder feedback at the May 10 Meeting was mixed, with some commenting that limiting EIM transfers to zero could exacerbate reliability challenges for the CAISO BAA, and others expressing concern that deviating from the approved FRP Refinements should not be done without careful evaluation and additional stakeholder dialogue, highlighting the risk of unintended consequences.

Following the May 10 Meeting, CAISO published a May 18 Update, proposing to depart from the FRP Refinements policy and continue to allow EIM entities that fail the RSE to receive EIM transfers up to the volume of transfers in the last non-failing 15-minute interval. The Update explains that EIM transfers will not be permitted to increase above this level in the FRP deployment scenarios, and that this should ensure that EIM entities that pass the RSE do not carry FRP to meet the needs of EIM entities that fail the RSE.

Another key topic discussed at both the May 10 Meeting and in the May 18 Update is the ability of the CAISO software to “look ahead” and anticipate an RSE failure in a future interval, and then

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<sup>1</sup> EIM transfers for failing BAAs will not be reduced to below the level of net EIM base transfers. Since base transfers for the CAISO BAA are zero, however, these comments omit the second “greater of” term.

take steps in the *current* interval to mitigate the consequences of the RSE failure. As explained by the CAISO:

*When a BAA fails, the WEIM optimal solution will **increase dynamic transfers prior to failure** in an attempt to minimize solution costs during failed interval; i.e. solution will ramp up WEIM transfers before the failed interval, **potentially uneconomically**, to constrain the net transfer in the failed interval at a higher level.<sup>2</sup>*

The approved FRP Refinements would have prevented the software from increasing imports in the current interval in anticipation of an upcoming RSE failure, since EIM transfers would be limited to zero. In contrast, the May 18 Update *would* enable imports to be increased prior to an RSE failure, which may undermine the principle that entities that pass the RSE do not help meet the FRP requirements of entities that fail the RSE:

*[E]nergy and FRP are fungible commodities; **increasing energy transfers into the failed BAA unloads supply capacity inside that BAA that can in turn be used to meet FRP requirements.**<sup>3</sup>*

### **Powerex Opposes CAISO's Proposal to Modify the FRP Refinements Policy**

Powerex recognizes the concerns raised by CAISO staff regarding the potential for the FRP Refinements to cause entities that fail the RSE to be restricted from receiving EIM transfers during challenging system conditions. As Powerex has stated in the EIM RSE Enhancements initiative, it does not believe that the RSE should be designed to require any entity to experience reliability challenges when there is sufficient aggregate supply to reliably meet the needs of the entire market footprint.

At the same time, **Powerex strongly opposes** moving forward with last-minute changes to the FRP Refinements proposal that would have the effect of allowing the CAISO market optimization to pro-actively increase transfers into a failing EIM Entity BAA, further undermining the already weak and inequitable RSE failure consequences in the EIM.

Rather than attempting to move forward with the May 18 Update's deeply flawed FRP proposal—which was developed by CAISO staff with no stakeholder input and will clearly result in significant negative consequences for the EIM RSE—Powerex strongly urges the CAISO to delay implementation of its FRP Refinements policy until improved RSE failure consequences can be developed during Phase 2 of the RSE Enhancements initiative.

Powerex believes that the original FRP Refinements policy as approved by the CAISO Board and the EIM Governing Body could be successfully implemented in tandem with Powerex's proposal for EIM RSE failure consequences, which would apply an initial limit of 0 MW for RSE failures but provide a mechanism for that limit to be relaxed (and transfers received) at a \$2,000/MWh penalty price. This would meet the dual objectives of supporting reliability (by not strictly limiting EIM import transfers to 0 MW for an EIM Entity BAA that fails the RSE) while also ensuring that the

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<sup>2</sup> CAISO May 10, 2022 presentation, at 8. Emphasis added.

<sup>3</sup> CAISO May 18 Update, at 7.

implementation of the FRP Refinements does not further expand the opportunity for EIM Entity BAAs, including the CAISO BAA, to inappropriately lean on EIM imports instead of securing sufficient flexibility in advance of EIM operations.