



COMMENTS OF THE COGENERATION ASSOCIATION OF CALIFORNIA ON THE ISO'S STANDARD CAPACITY PRODUCT PHASE II ALTERNATE PROPOSAL

I. INTRODUCTION

The Cogeneration Association of California (CAC) submits that there is still much work and careful deliberation to be undertaken before the provisions of the Standard Capacity Product (SCP) can adequately address combined heat and power (CHP) resources. In addition to its comments on the Draft Final Proposal, CAC makes the following observations regarding the California Independent System Operator (ISO) Alternate Proposal:¹

1. The Federal Energy Regulatory Commission (FERC)-approved availability calculation properly and accurately reflects CHP operation.
2. While a historical correction methodology is necessary to prevent double penalties for temperature-related ambient de-rates (TRADs), such a methodology will open as-available CHP resources to undue availability penalties under current protocols. It would be premature to apply the SCP to these resources until the issue is resolved.
3. The ISO should clarify in its Revised Draft Final Proposal that the definition of Forced Outage does not include increases in onsite or §218(b) electricity demand at CHP facilities.

II. THE ISO SHOULD MAINTAIN THE FERC-APPROVED AVAILABILITY CALCULATION FOR CHP

CAC agrees with the California Public Utilities Commission (CPUC) and Southern California Edison (SCE) that the ratio-based availability calculation in the Draft Final Proposal is an inappropriate measure of availability for CHP.² In its comments on

¹ CAC refers to the March 18, 2010 *Alternative Options for the Availability Standard and Replacement Rule Components of the Standard Capacity Product Phase II Initiative Proposal* as "Alternate Proposal."

² Comments of SCE on Draft Final Proposal at 4; CPUC Comments on Draft Final Proposal at 2.

the Draft Final Proposal, CAC identified four issues with the ISO's newly proposed availability calculation:

1. It would penalize CHP generators that are 100% available to cover their RA capacity obligations,
2. It directly conflicts with Tariff Section 40.9.4.2.2,
3. It contradicts the FERC SCP order, and
4. It is outside the ISO's stated scope of the proceeding.³

While the Alternate Proposal addresses CAC's first issue and no longer penalizes a generator for delivering energy above its RA capacity despite an outage or TRAD,⁴ the ISO has yet to resolve CAC's other three issues. In addition, the ISO fails to explain how the SCP is a "standard" product in light of separate availability metrics for different resources.⁵ Thus, the current FERC-approved availability calculation is superior to the ratio-based method in both the Draft Final Proposal and Alternate Proposal for calculating CHP resource availability.

III. TEMPERATURE-RELATED AMBIENT DE-RATES

Incorporation of CHP into the SCP is dependent upon the development of a verifiable and accurate CHP NQC counting methodology at the CPUC. Paramount to that CPUC determination is the adoption of appropriate CHP capacity adjustments for both forced outages and TRADs. The ISO proposes in R.09-10-032 that the CPUC use historical correction to either eliminate "*the forced outage and de-rate hours from [the CPUC's] calculation of QC for RA resources*" or "*use proxy energy output values for*

³ See CAC's Comments to the ISO Draft Final Proposal.

⁴ Alternate Proposal at 5.

⁵ See *Joint Comments of the California Wind Energy Association and the Large-Scale Solar Association on the SCP II Draft Final Proposal* at 3-4.

these hours."⁶ However, historical correction for TRADs will be problematic for as-available CHP resources and will require the alteration of current protocols for the sale of RA from such resources. Historical correction would increase a resource's NQC to remove TRADs that occurred during the averaging period. In other words, the NQC theoretically would not reflect any TRADs. The current CAISO protocols require that an as-available resource's RA amount must equal its NQC, and the resource is not permitted to reduce its RA value below its NQC to reflect anticipated TRADs. The as-available resource cannot account for future TRADs in any way. As a result, the as-available generator's RA amount will be overstated in the summer by the amount of its TRADs, and the generator will be subject to availability penalties once those TRADs occur.

Historical correction, as it applies to TRADs, creates a problem for as-available resources. CAC identified this issue in its March 26, 2010 comments in R.09-10-032. The ISO should wait to adopt any availability standard for CHP until the issue of historical correction for as-available CHP TRADs is resolved.

IV. FORCED OUTAGES

The ISO should clarify its Tariff so a host's changes in thermal demand would not constitute a forced outage. In its Alternate Proposal, the ISO stated:

*In general, a forced outage is an unexpected occurrence (e.g., mechanical failure) that reduces the operable capacity of resource. Variations in fuel availability, such as weather variations that reduce the wind to drive wind turbines, or reductions in steam availability to drive electricity generation from a Qualifying Facility, are not considered forced outages.*⁷

⁶ Alternative Proposal at 4. CAC supports this proposal at the CPUC, subject to the issues discussed in these comments.

⁷ Alternate Proposal at 5.

The *Tariff* should reflect this understanding, but CAC appreciates the ISO's clarification in its proposal, as far as it goes. There are variations in power deliveries from QFs that result from other factors besides thermal demand, such as changes in onsite or Public Utilities Code §218(b) electric demand. The CAISO should add the following language to the above-referenced paragraph:

Variations in output from a Qualifying Facility due to changes in onsite or Public Utilities Code Section 218(b) electrical demand also are not considered forced outages.

Such language will help ensure that CHP facilities do not receive availability penalties in the course of normal operations.

Respectfully submitted,



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