

## CalWEA Comments on Updated Straw Proposal for ISO RA Standard Capacity Product

The California Wind Energy Association (CalWEA) offers these comments on the ISO's December 4<sup>th</sup> Updated Straw Proposal (Update) for its Resource Adequacy Standard Capacity Product (RA SCP), reflecting our continuing concerns about this proposal.

**Double penalties for QC counting:** We are very disappointed that the Update does not address the “double-counting” issue for wind generation, despite our written comments submitted earlier, CPUC, SCE, and CalWEA comments at the November 25<sup>th</sup> meeting, and extensive discussion on this point at that meeting.

As we said before, the CPUC determines RA Qualifying Capacity (QC) for wind projects based on output during a set number of peak hours. Output during those hours is a function of two things: (1) the wind blowing; and (2) the turbines that are available.

Thus, the CPUC QC measure already includes an availability penalty for any forced outages. If the ISO imposes a financial penalty based on forced outages, then wind generators would be penalized twice for the same thing. To avoid this problem, either the CPUC QC counting rules must be changed, or the ISO cannot penalize wind generation for availability or forced outages.

We understand from the ISO's clarifications at the December 11<sup>th</sup> meeting that wind plants might have relatively low exposure to this risk, because: (1) the SCP availability measure will be based on the ISO's Net QC (NQC) determination for each plant; (2) QC/NQC may be considerably below installed plant capacity. Thus, using an example from the meeting, a 100 MW wind plant with a 30 MW NQC and a 90% Target Availability Level (TAL) would only be subject to an availability penalty if its forced outages exceeded 70 MW.

However, we believe that, in principle, the ISO should not structure penalties or Tariff provisions that conflict with the CPUC's authority to establish QC in whatever manner it deems appropriate.

**Double penalties under PPAs – the “grandfathering” issue:** This is another double-counting issue. Many or most Power-Purchase Agreements (PPAs) already contain availability provisions, including penalties for excessive forced outages and/or production below a certain target (which, again, is a function of both available wind and available turbines). Thus, ISO imposition of an availability penalty would penalize plants twice for the same forced outages, and this problem would affect all plants – not just wind generators.

This factor, plus the imposition of this framework itself, would both likely constitute material changes in the ISO market structure; we believe that most (if not all) PPAs contain re-openers for such an event. Therefore, the ISO proposal could trigger the need to re-negotiate virtually all existing PPAs.

Postponing the problem, through some arbitrary cutoff date for the ISO's convenience, does not make it go away. The ISO should grandfather existing PPAs, including those executed for plants that are not yet operational (due to potential financing implications of contract renegotiations).

**Extra penalties under PIRP:** The ISO has recently proposed expanded availability reporting requirements under the Participating Intermittent Resources Program (PIRP), beyond those applicable to other generators under the ISO Tariff. While the Tariff requires availability reporting when outages exceed the greater of 10 MW or 5% of maximum plant capability (Pmax), the ISO proposes that wind generators in PIRP report forced outages of as little as 1 MW (through the ISO SLIC electronic outage-reporting system – the usual outage reporting method).

The RA SCP proposal would base availability penalties on outages reported in SLIC. Thus, wind generators reporting outages in compliance with any more-stringent PIRP outage-reporting requirements could be subject to greater RA SCP availability penalties than other generators. If the Update framework is adopted, forced outages reported by PIRP plants in excess of those reportable by other generators should be exempt from any penalties.

**Overall logic of the framework:** In general, the Update RA SCP proposal will not result in a “Standard Capacity Product.”

For example, with two generators – one with 90% availability and one with 45% availability – each MW from the second plant will be available only half the time of each MW from the first plant. This fact will not change because the ISO financially penalizes the second plant – it will still only be available half the time of the first plant, so the “products” provided will not be the same.

The only way the product would be “standard” is if the MWs of the second plant counted for half the RA QC as the MWs of the first plant, but that is not the ISO’s proposal. (We aren’t arguing in support of that, either, but at least it would be logically consistent with the “SCP” concept.)

Instead, the ISO penalties would effectively just be an adjustment to the net capacity payments that these units receive in their PPAs. However, those capacity payments are subject to the jurisdiction of the CPUC or other regulatory authority – it is not the ISO’s job to determine reasonable capacity payments, and this proposal would thus usurp the jurisdiction of those other entities.