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Subject: Comments on CCE3

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I provide these comments on the November 3 Revised Staff Proposal, on behalf of the Energy Producers and Users Coalition and the Cogeneration Association of California. The definition of use-limited should be revised as follows:

A resource with one or more limitation on starts, run-hours, and/or output due to statutory or regulatory provisions, environmental restrictions or design considerations, which cannot be optimally dispatched over the limitation horizon without consideration of opportunity costs.

Acceptable environmental restrictions are those that are imposed by regulatory bodies, legislation, or courts. A non-exhaustive list of acceptable environmental restrictions include: limits on emissions, water use restrictions, or run-hour limitations in operating permits. Restrictions with soft caps that allow the resource to increase production above the soft cap through purchasing additional compliance instruments are not acceptable restrictions.

Acceptable design considerations are those that are due to physical equipment limitations. A non-exhaustive list of acceptable design considerations include: restrictions documented in original equipment manufacturer recommendations or bulletins, ~~or~~ limiting equipment such as storage capability for hydroelectric generating resources, or combined heat and power facilities.

The addition of “statutory or regulatory provisions” is justified because you use those as examples throughout the proposal and they are not necessarily subsumed within environmental or design considerations. The addition of CHP as an example of design would be helpful; I don’t think CHP technology is normally considered to be a design consideration, and you have used it in prior drafts of the proposal.

To follow-up on my correspondence with Kallie, the proposal should be clarified somewhere on pg. 7 or 8: only resources needing an opportunity cost in order to be optimized in ISO markets would qualify for use-limited status. Resources that qualify for use-limited status could go through the modeling or negotiation processes to receive an opportunity cost, but would not be required to bid in the opportunity cost as it only increases the bid cap or is included in the DEB.

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