

April 16, 2013

**Comments of the Independent Energy Producers Association on the
CAISO's Draft Final Proposal Regarding
FERC Order 764 Compliance 15-Minute Scheduling and Settlement**

The Independent Energy Producers Association (IEP) appreciates the opportunity to comment on the FERC Order 764 Compliance 15-minute Scheduling and Settlement Draft Final Proposal, released March 26, 2013, and the workshop convened on April 2, 2013. IEP limits its comments to the issue associated with the Participating Intermittent Resource Program (PIRP) and the treatment of existing contracts.

The Role of PIRP

As noted in the Draft Final Proposal, the PIRP program was implemented as a compromise. The Draft Final Proposal correctly describes an important aspect of the PIRP program; namely, in return for providing meteorological data to allow forecasting, PIRP resources were allowed to net over the month uninstructed imbalance energy.

However, this was not the only rationale for implementing the PIRP Program. Intermittent resources were and continue to be viewed as a valuable component of the California generation fleet. Not only are intermittent resources considered critical to achieving the Renewable Portfolio Standard, these resources are also considered a valuable hedge against the price volatility associated with an energy market dominated by natural gas. To achieve these goals, intermittent renewable resources were encouraged to enter into fixed price contractual arrangements (often for long time periods). Thus, a critical reason for implementing the PIRP

program was to remove a barrier to the financing and development of intermittent resources, namely the cost risk(s) associated with bearing the full brunt of CAISO imbalance energy charges.

Accordingly, as a matter of sound public policy, changes in the CAISO PIRP program must take into account the financial implications of those changes to existing contracts, particularly those PIRP Resources operating under existing contracts which provide no reasonable means of cost recovery for costs associated with changes in the altered treatment of imbalance charges.

“Hold Harmless” Existing PIRP Resources For Which No Reasonable Means Of Cost Recovery Exists When Changes In PIRP Are Implemented.

The CAISO proposes to modify the PIRP program and, as a result, no longer enable the netting of imbalance energy. As a result, the risk is present that the Scheduling Coordinator (“SC”) for the resource will bear additional costs associated with imbalance energy that were unanticipated when executing the original contract. For the most part, the SC for the PIRP resource will be the load-serving entity (“LSE”) that contracted for the output from the facility. Thus, in this circumstance, the LSE will bear the costs associated with imbalance energy and the PIRP Resource will be held harmless. On the other hand, in a limited set of circumstances, the PIRP Resource may bear this risk. This circumstance could occur (a) when the contract passes through from the SC to the PIRP Resource imbalance charges (whether netted or not) or, more likely, (b) when the SC for the PIRP Resource is the resource itself. To be clear, IEP does not know how many PIRP Resources fall into either of these circumstances, but we believe the number to be very low. However, even if the number is low, the financial risk to the PIRP Resource that fits into these circumstances is very high.

Accordingly, in order to “hold harmless” PIRP Resources operating under an existing contract without a reasonable means of cost recovery of imbalance charges resulting from the elimination of the netting period, IEP recommends the following additions to its tariff related to the PIRP Program:

- Provide a timeframe (e.g. 90-120 days), upon FERC acceptance of the Tariff changes for PIRP Resources, for PIRP resources to present to the CAISO their existing contracts which they believe provide no reasonable means of cost recovery of additional costs imposed on the PIRP Resource due to elimination of the netting period associated with imbalance energy;
- Provide CAISO the authority to determine, based on a reasonable interpretation of the contract, whether (a) the PIRP Resource faces the risk of increased costs due to the changes in the treatment of imbalance energy, i.e. the elimination of the netting period, and (b) if so, whether cost-recovery is available to the PIRP Resource;
- Provide CAISO the authority to pass PIRP related charges directly to SC for the Buyer, if the CAISO determines that cost recovery is not reasonably available to the PIRP Resource.

IEP believes that these provisions, when included as part of the CAISO Tariff associated with the PIRP Program, will sufficiently ameliorate the concerns that existing PIRP Resources have regarding the proposed elimination of the netting period under the PIRP Program.

Respectfully Submitted,



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