

August 9, 2013

**Comments of the Independent Energy Producers Association on the
CAISO's FERC Order 764 Market Changes
Intermittent Resource Protective Measures Straw Proposal**

The Independent Energy Producers Association (IEP) appreciates the opportunity to comment on the FERC Order 764 Market Changes Intermittent Resource Protective Measures Straw Proposal, released July 26, 2013.

The treatment of intermittent resources under FERC Order 764 has been an on-going policy discussion. At the urging of stakeholders and at the direction of the CAISO Board, the staff is now focused on designing for a very small group of generators protective measures for the cost impacts associated with the CAISO's implementation of FERC Order 764. IEP appreciates the CAISO Board and staff's attention to this matter.

From IEP's perspective, the Protective Measures appropriately should apply to a relatively small group of electric generators that have no reasonable means of cost –recovery under their existing contract(s). For example, they operate under existing, fixed price contracts. In the absence of a reasonable means of cost recovery, the continued operations of these renewable resources is at risk, at least until they obtain a new contract. Based on previous comments and new information, we now know the scope and scale of this program:

- **Eligibility Is Limited to a Very Small Set of Intermittent Generators, Which Represent a De minimus Amount of Energy.** On July 11-12, 2013 the CAISO reported that only about 1,000 MWs are potentially eligible for the program having sought protection within the CAISO designated deadline (IEP believes that requests from Load-Serving Entities ("LSE") are not germane, as LSEs do have reasonable means of cost recovery of

imbalance energy charges through their rate base/customer charges, etc). As the eligible resources are by definition intermittent generators, IEP assumes that, while the nameplate capacity of these limited units totals approximately 1,000 MW, the effective capacity is likely 300 MWs or less. ***Assuming a CAISO control system of 55,000 MWs, these units represent .00545455 of the system demand.*** IEP's conclusion: from the CAISO's perspective for maintaining overall grid reliability, this is a very, very tiny issue.

- **This is a Temporary Problem: The Scope/Scale of the Need for Protective Measures Declines Rapidly Over Time.** While recognizing that the scope/scale of this problem is extremely small now, the scope and scale will decline rapidly over the next few years as the existing contracts terminate. IEP agrees with the CAISO that to the extent these same projects enter into new agreements, they will be required to enter into the CAISO 15-minute market /FERC Order 764 Market Design.
- **Eligibility is Critical To The Financial Viability and Operations of These Limited Generating Units.** While these units will have almost zero impact on the reliability of the CAISO system if they are afforded Protective Measures, the impact on the individual generating units is potentially very significant. By definition, these units have no reasonable means of cost recovery of imbalance charges under their current contracts. As a result, their operations are threatened.
- **Providing Protective Measures for Only A Portion of the Remaining Term of an Existing Contract Fails To Address The Core Problem.** IEP appreciates the staff's recognition of the need to provide protective measure for existing contracts that are deemed eligible for this program. On the other hand, the fundamental problem (and need for protective measures) is not fully addressed if the term of the existing contract exceeds the proposed "transition period" (staff currently proposes a three year transition period).

We find no reasoning in limiting the “transition period” to a term shorter than the contract term, which is the underlying problem.

IEP remains puzzled why this issue continues to linger. The scope/scale of the matter is exceedingly small. The request for protective measures is of limited duration. However, the impact on the limited set of affected RPS generators is potentially large. Accordingly, we urge the CAISO to fully address the matter by providing “transition assistance” (i.e. the Protective Measure) to those eligible to participate for the duration of the existing contract, and let’s move on!

Respectfully Submitted,



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