

Stakeholder Comments Template

Reactive Power Requirements and Financial Compensation Draft Final Proposal

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the draft final proposal for the Reactive Power Requirements and Financial Compensation initiative that was posted on November 12, 2015. The draft final proposal and other information related to this initiative may be found at: <http://www.aiso.com/informed/Pages/StakeholderProcesses/ReactivePowerRequirements-FinancialCompensation.aspx>.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **December 3, 2015**.

1. Please indicate whether you support reactive power requirements for all resources.

No, LSA continues to believe that the CAISO should perform further studies before imposing these requirements.

The differential results of interconnection studies to date (requirements needed for about 70-75% of asynchronous capacity but not the other 25-30%) indicate that reactive power needs are not uniform throughout the grid, i.e., that there are stronger and weaker areas. The CAISO has not offered any evidence that: (1) the proposed requirements will be sufficient to meet reliability needs in weaker areas of the grid (such that voluntary compliance incentives for resources without a mandatory requirement should be considered) ; or (2) the proposed requirements are needed in stronger areas of the grid.

2. Please indicate whether you support the proposed technical requirements for asynchronous resources.

LSA supports the new requirements in part and opposes them in part. As noted in prior LSA comments:

- **LSA supports the CAISO's proposal to apply the new standards only to new generation projects submitting Interconnection Requests (IRs) after April 1, 2016, and to existing facilities only with repowering or major replacement.** In particular, smaller changes (e.g., addition of power-boost capability or small amounts of capacity to existing projects) should not be subject to the new requirements for the whole facility even if they require submission of a new IR. At most, any additional capacity additions should be subject to the new requirements only for the added capacity, and the final CAISO proposal should clarify that point.

- **LSA does not believe that the CAISO has adequately supported the need for dynamic response.** However, the CAISO's proposal for dynamic reactive capability over half the required range is at least better than the November 19 FERC proposal in Docket No. RM16-1-000 (FERC Proposal) that would require dynamic capability over the entire required range. The latter does not allow for lower-cost solutions, like meeting the requirement with a combination of capacitors and inverters; LSA members will likely make this point in comments to FERC on the proposed change.
- **LSA supports CalWEA's proposal to allow asynchronous generators to comply with either the current synchronous or new asynchronous standard.** The FERC Proposal would impose the same standards for all generators, and allowing use of either standard would be consistent with this concept.
- **LSA continues to believe that the CAISO should incorporate collective solutions to meeting the new requirements into its interconnection studies and the annual Transmission Planning Process (TPP), instead of expecting Interconnection Customers (ICs) to propose such solutions.** ICs do not have the same level of knowledge about local transmission facilities as the CAISO and PTOs and thus are not as able to identify and study such solutions. At a minimum, the CAISO should: (1) include collective solutions (e.g., at the substation level) for projects in the same cluster with the same or nearby POIs; and (2) provide for disclosure of IC contact information with such clusters for parties that agree, so the details of any potential collective solutions can be discussed among them.

3. Please indicate whether you support the current provision payments for providing reactive power outside of the standard required range.

No, LSA strongly opposes these provisions, because they do not reflect the commercial realities of Power-Purchase Agreement (PPA) contracting. Every one of the major utility pro forma contracts mandate a structure where the buyer is the Scheduling Coordinator (SC) and has complete freedom to bid generation projects as they please, without any requirement to consult with (or even inform) the generator owner or operator.

This is an issue, not only for new generation projects, but also for the vast majority of existing projects subject to reactive-power requirements under the current study-based process. LSA continues to support revisions to the CAISO proposal that would: (1) allow generators to work with Potomac Economics to develop a true opportunity-cost measure based on PPA payment provisions; and (2) elect to receive such reimbursement from the CAISO directly.

At a minimum, the CAISO should clarify its tariff and/or Business Practice Manual (BPM) provisions to ensure that generator dispatch outside the required range would be used only as an emergency, last-resort basis. The basis for selecting units to meet reactive power requirements was not well-explained in the stakeholder process, and such dispatches outside the required range should be issued only after other effective resources have been dispatched to the limits of their required ranges.

In other words, while LSA does not agree with retention of the current provisions, the CAISO can minimize the financial damage from under-compensation for unit dispatch outside the required range by ensuring that such dispatches are as infrequent as possible, consistent with reliable grid operations.

4. Please indicate whether you support the proposal to not provide administrative payments for reactive power capability.

LSA has no further comments on this issue.

5. If you have any other comments, please provide them here.