

Stakeholder Comments Template

**Deliverability of Resource Adequacy
Capacity on Interties**

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the *Deliverability of Resource Adequacy Capacity on Interties* Issue Paper posted on March 15, 2011, and issues discussed during the stakeholder conference call on March 22, 2011, including the slide presentation.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to RAimport@caiso.com no later than the close of business on March 29, 2011.

1. Do you have any comments on the overall issue that the ISO is proposing to address? For example, has the ISO adequately framed the issue?

Annual Nature of the Import Allocation

NextEra strongly supports the ISO’s initiative to address the capacity issues surrounding imports. While NextEra agrees with the ISO’s suggestion that establishing the maximum import capability for capacity based on historical imports is problematic and leads to underutilization of imports for capacity, the bigger issues surrounding imported RA are not addressed or identified.

Buyers of imported RA have been reluctant to enter into long-term commercial transactions for imported resources because the commercial terms do not align with annual nature of the import allocations. For developers of new generating resources the inability to sell RA under long-term power purchase agreements undermines a project’s financeability. Imported renewable resources are already at a disadvantage in California given current restrictions on out of state resources. Solar resources are even further disadvantaged by the current regulatory regime given their relatively high RA value. So while the ISO’s initiative would

help increase the import allocation for LSEs, it will do little for developers and generators of external resources unless the annual nature of the import allocation is addressed.

Net Qualifying Capacity Value for Imported Wind and Solar Resources

An additional issue is how the Net Qualifying Capacity value for imported wind and solar RA resources will be calculated.

The resource adequacy rules applicable to imports were developed in the early stages of the resource adequacy program and were entirely focused on the question of hydro. Due to this circumstance, the transmission and intertie allocation protocol was developed as outlined in the Business Practices Manual section 5.1.3.6.

It is unclear how imported variable resources will be considered for purposes of resource adequacy. Variable resources within the CAISO have an additional protocol for establishing qualify capacity. Pursuant to CPUC decision D.09-06-028, qualifying capacity for wind and solar resources is based on an exceedance methodology. The CPUC provides the following explanation:

The QC of wind and solar resources is based on an exceedance methodology.¹ The exceedance approach measures the minimum amount of generation produced by the resource in a certain percentage of included hours. For example, the mathematical concept of “median” is a special case of the exceedance concept, with the exceedance level set to 50%. The exceedance level used to calculate the QC of wind and solar resources is 70%. Another way to describe the exceedance level is that the 70% exceedance level of a resource’s production profile is the maximum generation amount that it produces at least 70% of the time².

Therefore, the process for establishing a capacity value for variable resources is currently that the CPUC establishes a qualifying capacity value and the ISO conducts a deliverability assessment to determine the Net Qualify Capacity value. With regard to imports it is unclear how the qualifying capacity protocol interplays with net qualifying capacity value for import variable resources. For example, how does the qualifying capacity protocol applicable to wind and solar apply to external resources where resource specific energy production is not considered? Currently new variable resources are assigned an average capacity value upon commercial operation. After three years that value is resource specific based on actual energy production (e.g. the average energy production over three years from that specific resource during peak hours). How is that value calculated for imports? How much of an import allocation does the LSE have to apply to an imported variable resource?

Do you have any suggestions on how this issue might be addressed and resolved? If you have a suggested approach, please describe your proposal and its perceived benefits and provide examples to illustrate your proposal.

To identify the first issue it seems that ISO should consider longer term import allocations or make the capacity value of the resource distinct from the import capability. To solve the second issue, a specific RA value for external resources with a commitment to the CAISO market would

¹ D. 09-06-028 appendix C

² <http://www.cpuc.ca.gov/NR/rdonlyres/2526B26C-BEEA-46FE-904F-A99D2F042FD8/0/AdoptedQCmethodologymanualfromD1006036APPENDIXB.doc>

provide a clearer capacity value to both buyers and sellers. This is akin to the “list/ delisting” of capacity in the Eastern markets. The solution for imported capacity needs to 1) be durable over time; and 2) clearly provide a way to determine resources specific capacity value.

2. If you have any additional comments, please provide them here.

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