

August 30, 2016

Milos Bosanac
Industry Affairs Manager
California ISO
Customer Service and Industry Affairs
250 Outcropping Way
Folsom, CA 95630

Re: CAISO Board of Governors Meeting – August 31, 2016; SCE Supports Decision on
Reactive Power Requirements for Non-Synchronous Generators (Agenda Item No. 7)

Dear Mr. Bosanac,

SCE supports the CAISO's proposal to require newly interconnecting asynchronous resources to have the capability to provide reactive power and voltage regulation. This proposal would replace the current system impact study approach, which cannot factor all possible future system scenarios, to assess whether asynchronous resources must provide reactive power capability. As asynchronous resources continue to displace conventional synchronous generation resources, it is critically important to put synchronous and asynchronous resources on equal footing with respect to the capability to provide reactive power to ensure the safe and reliable operation of the grid. SCE agrees with the CAISO proposal to not require existing generating facilities without the current capability to provide reactive power to be retrofitted to comply with such a requirement.

From a market standpoint, SCE supports the CAISO's proposal to provide compensation when a resource provides reactive power outside of a prescribed power factor range. SCE also agrees with the CAISO's proposal to not provide a capability payment for reactive power, as providing reactive power constitutes good utility practice. Equally, if not more, important, resources usually recover their fixed and variable costs through bilateral contracts with load serving entities. Investment in a resource incorporates any decision to be compensated through bilateral contracts or through the CAISO markets, should the generation choose to be merchant. Thus, it would be inappropriate to provide capability payments to resources.

SCE commends the CAISO for addressing this very important system safety and reliability issue through a stakeholder initiative and supports the CAISO's reactive power requirements and financial compensation proposal.

Thank you,

Eric Little