

Stakeholder Comments

SCE Comments on Reactive Power Requirements and Financial Compensation

Submitted by	Company	Date Submitted
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The following are Southern California Edison's (SCE) comments on the California Independent System Operator's (CAISO), Reactive Power Requirements and Financial Compensation Revised Straw proposal, issued October 8, 2015¹.

In Summary,

- (1) SCE supports the CAISO's proposal to adopt a uniform requirement for asynchronous resources to provide reactive power capability and voltage regulation;
- (2) SCE supports the CAISO's proposal to continue to compensate resources for the provision of reactive power outside of a prescribed range; and
- (3) SCE supports the CAISO *not* proposing any form of compensation for reactive power capability.

Uniform Requirement for Asynchronous Resources to Provide Reactive Power Capability and Voltage Regulation

SCE has no additional comments, beyond those which previously have been submitted.

Compensation for the Provision of Reactive Power Outside of a Prescribed Range

SCE has no additional comments, beyond those which previously have been submitted.

1

Compensation for Reactive Power Capability Would Be Inappropriate

SCE supports the current CAISO proposal which would not provide a payment to resources for the capability to provide reactive power. SCE has previously opposed a payment for reactive power capability². 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, there is no compelling support that resources are not currently compensated for their capability to provide reactive power. Beyond the capacity market difference brought up earlier in the stakeholder process, the CAISO also clearly explains how comparison to practices in other ISOs/RTOs is not appropriate. Finally, SCE agrees with the CAISO's position, "that providing reactive power capability constitutes good utility practice and should be a necessary condition of interconnecting a resource to the ISO grid."³

During the October 15 stakeholder call, a concern was raised regarding a potential for a resource to have secured a Power Purchase Agreement (PPA) but have not yet entered the CAISO's interconnection queue. The concern was that in such a circumstance, a current PPA for wind and solar resources would not have explicitly contemplated the costs associated with the capability to provide reactive power as, until the current CAISO stakeholder process, a uniform requirement for asynchronous resources to provide reactive power had not been established. This situation would then have the potential to lead to a resource having a reactive power requirement that may not have the costs of such capability covered by its PPA. SCE does not believe that this unique and limited circumstance creates a need to re-evaluate the CAISO proposal to not provide compensation for reactive power capability as a general policy. SCE believes that, while the scenario of a resource having an executed PPA prior to entering the interconnection queue is hypothetically possible, the universe of such resources is likely to represent a small percent of existing resources. Further, if such resources do exist, the CAISO could address the specific circumstances very simply. One possible solution would be to identify any resource that can prove that it executed a PPA in advance of entering the interconnection queue during April 2016 (i.e., Queue Cluster 9 Window) or beyond, when the CAISO's proposed reactive requirements will become effective. Such a resource could simply be exempted from

² http://www.aiso.com/Documents/SCEComments_ReactivePowerRequirements_FinancialCompensation-IssuePaper.pdf

³ Page 24. CAISO Revised Straw.

the requirement to provide reactive power capability. Since the likely universe of resources in this specific circumstance is very likely to be small, the CAISO's ability to meet reactive power needs would not likely be diminished.

In addition to supporting the CAISO's proposal to not pay for reactive power capability, SCE supports the CAISO's proposal on creating a new exceptional dispatch (ED) category and inclusion of real power consumption, Minimum Load, and Start Up costs in compensation. SCE also supports the CAISO proposal to include clutch-equipped units in reactive power provision payment under the new ED category.

During the October 15, 2015 stakeholder call, the CAISO stated that an ED for the provision of reactive power would be based solely upon the effectiveness of the resource in satisfying the identified need. SCE notes that section 34.11 of the CAISO tariff lists the criteria to be used to determine the resource that will receive an ED. Notably, section 34.11 of the tariff states, "In applying these selection criteria, the goal of the CAISO will be to issue Exceptional Dispatches on a least-cost basis to resources that will be effective in meeting the reliability needs underlying the Exceptional Dispatch" (emphasis added). SCE believes that similar criteria for the issuance of an ED with respect to reactive power should be established, and similarly, the CAISO should issue such a dispatch in a least-cost manner consistent with meeting the reliability needs of the system.