SDG&E's Comments on FERC Order 764 Market Changes – Protective Measures

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SDG&E appreciates the opportunity to comment on the CAISO's July 26, 2013 Straw Proposal: FERC Order 764 Market Changes – Intermittent Resource Protective Measures. SDG&E generally supported the market enhancements encompassed in the CAISO's broader Order 764 compliance, and in particular supported the modifications to the Participating Intermittent Resource Program (PIRP). The CAISO is now proposing to augment those PIRP modifications to extend special protections to resources that are unable to respond to dispatch instructions and may, as a consequence, be economically disadvantaged under the new market design.

As a practical matter, SDG&E does not support the protective measures outlined in the Straw Proposal. SDG&E's principle objection, however, is with the proposed cost allocation methodology. The CAISO originally indicated an intent to allocate costs associated with protective measures directly to the LSE associated with the protected resource – an approach that reflects some adherence to cost causation principles. The Straw Proposal, however, proposes to allocate costs to net negative deviations – an approach that simply reflects expedience. The CAISO offers two reasons for the revised approach:

(1) Resources that are eligible for protective measures *may be* resources coming off QF contracts that do not have a PPA with a load serving entity, and

> (2) The resource requesting the protective measure *may be* responsible for costs based on ISO market real-time energy settlement, but the load serving entity with the PPA with the resource may be the scheduling coordinator for the resource. Since the ISO settles market transactions with scheduling coordinators, if the costs of the protective measure were allocated to the load serving entity under the circumstances described in (2), then the costs of the protective measure would be allocated to the same scheduling coordinator that would be receiving the protective measure. (7-26-13 Straw Proposal at p. 8, emphasis added).

Speculation about the contractual arrangements resources may be under seems a thin rationale for developing and implementing a cost allocation structure. SDG&E agrees that some resources – perhaps a very small subset – requesting protective measures might have expired or expiring contracts. In these limited instances, a last resort allocation to net negative deviators seems reasonable. However, the last resort cannot be the default. Where a contract is currently in place, the allocation methodology must make some effort to first allocate costs to the LSE associated with the resource.

SDG&E suggests revising the proposed methodology in the following way.

The difference between the real-time market settlement of any resource under the protective measure and the settlement that would have occurred under the FERC Order No. 764 market design will be allocated in the following manner:

1. To the load serving entity under a PPA with the requesting resource;
2. If the PPA expires at any point during the calendar year that a resource is eligible for protective measures, costs are allocated to the LSE until the contract expires, and then to net negative deviations for the balance of the calendar year;
3. If there is no PPA in place when the request for protective measures is approved, or, if a PPA is in place and the LSE is the SC for the resource, then allocation is to net negative deviations.

SDG&E believes this framework better reflects the cost causation principles contained in management's earlier presentation.