

Stakeholder Comments

**Reactive Power Requirements and Financial Compensation
Revised Straw Proposal, October 8, 2015**

Submitted by	Company	Date Submitted
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SDG&E appreciates the opportunity to comment on the Reactive Power Requirements and Financial Compensation revised straw proposal posted October 8th and stakeholder call held October 15th. SDG&E supports the CAISO’s reactive power requirements proposal and appreciates the time and consideration CAISO has taken on this initiative.

SDG&E supports and agrees with CAISO’s position on financial compensation for reactive power and voltage regulation. SDG&E agrees all generators should provide a prescribed level of reactive power and voltage regulation as ‘good practice,’ and that there will be no capability payment for this requirement. SDG&E agrees with the CAISO to implement a provision payment for reactive power provided outside of the prescribed reactive power region. This is a lost opportunity to produce real power for generators, and SDG&E supports opportunity cost recovery just as synchronous resources receive today.

The new Exceptional Dispatch (ED) category seems reasonable. If resources have special characteristics to provide reactive power necessary to the system, there should be some accounting mechanism in place to recover costs in low/no real power output situations, and, thus, low to no traditional opportunity cost calculation. SDG&E would like the CAISO to better detail how CAISO will identify these resources which can be ED’d. CAISO mentioned all needed information is in the master file but we are not completely confident this is the case. SDG&E is wondering if CAISO has any sense of how often these exceptional dispatches may occur? Also, has CAISO considered setting an administrative fee as a compensation mechanism? This would be a simpler more transparent method of payment as opposed to convoluted special payment calculations for these out of market dispatches. Additionally, only paying actual costs (or worse, not completely having costs covered if the ED calculation is not robust) very well may not provide the incentive needed for these ‘special’ characteristics to make themselves available to provide reactive power. With an administrative fee, generators may apply to recover costs above ED compensation if they find they have been under-compensated. SDG&E is not convinced the proposed compensation mechanism and

calculation will make special characteristics available for exceptional dispatch of reactive power.