

Renewables Integration – Market and Product Review, Phase 2
Comments of 8minutenergy Renewables on Discussion/Scoping Paper
April 29th, 2011

8minutenergy Renewables, LLC (8me) hereby submits these comments on both the April 5th document, *Discussion and Scoping Paper on Renewable Integration Phase 2* (Paper), and the discussion at the April 12th stakeholder meeting about the Proposal.

The Paper suggests that VERs might be assessed CAISO charges for “integration costs,” and suggests further that imports might be treated differently. We are concerned about these proposals and believe that:

- **Any determination of “integration costs” or imposition of “integration charges” should be non-discriminatory.** In determining the costs attributable to generation resources, the CAISO should properly consider:

- **All the reasons that the CAISO procures Ancillary Services**, not just those attributable to incremental addition of VERs to the system. The CAISO also purchases Regulation and operating reserves to support load variations, and also to protect against a variety of operating contingencies and conditions that have nothing to do with VERs – e.g., to protect against the largest single contingencies in certain areas.
- **Cost causation by resource electrical or operating characteristics, or other relevant cost characteristics** (e.g., largest single contingency), rather than by technology, e.g., any costs attributable to resource output variability should be calculated for all resources on that basis, not just VERs.

Any integration charges should also follow this cost basis. That would have the additional beneficial effect of incenting actions by individual suppliers to moderate their impacts on the grid, where possible, while charges by generation type would not provide those incentives.

- **Any potential assessment of “integration charges” should include commercial considerations.** For example, even if VERs and/or other generation resources are found to cause certain incremental costs, there are different commercial implications (e.g., on procurement and energy-market prices) to imposing them on resources directly (and having load pick them up through procurement arrangements) vs. having load pay them directly.

Loads would ultimately pay these charges regardless – the issue is whether the procurement market overall would be best served by payment through the procurement process or through the CAISO Ancillary Services market process.

This determination may depend, in part, on the expected magnitude of these costs. Any final decision on the structure or level of integration charges should be based on realistic results from the CAISO 33% RPS analysis; this will require analysis beyond the initial results that may be released soon, since we understand that analysis is expected to assume that gas-fired resources will provide all integration services, instead of a more likely future resource mix that includes, (e.g., storage and demand-side management).

- **Any imposition of “integration charges” must avoid double-counting overlap with CPUC procurement activities and methodologies.** The CAISO should not impose integration charges against suppliers through the CAISO market if integration costs are already counted against VERs in the CPUC procurement process. In other words, only integration costs

borne directly by ratepayers in CAISO markets should be counted against VERs in the CPUC procurement process.

- **Any imposition of “integration charges” should not discriminate against imports.** Integration costs, relate to generator electrical and operating characteristics (as well as other relevant parameters, as discussed above), and these would be the same regardless of location inside or outside the CAISO BAA. If integration services are provided by the CAISO – e.g., through Pseudo-Tie arrangements under the expected Dynamic Transfer framework, where the resource would literally be part of the CAISO BAA and would otherwise be treated like other such resources – then there should be no distinction between internal resources and exports in imposition of integration charges.