



**COMMENTS OF THE COGENERATION ASSOCIATION OF CALIFORNIA
ON THE ISO'S STANDARD CAPACITY PRODUCT PHASE II
PROPOSED TARIFF LANGUAGE**

The proposed tariff language should adequately implement the California Independent System Operator's (CAISO) decision in the Standard Capacity Product (SCP) Phase II Initiative.¹ The Cogeneration Association of California (CAC) is concerned that the existing Tariff language defining "*Forced Outage*" and "*Outage*" could open combined heat and power (CHP) resources to repeated availability penalties. CAC urges the CAISO to employ the language proposed below to clarify these definitions.

The correction of Tariff language regarding Forced Outages is vital to the continued operation of CHP resources subject to the SCP. The primary purpose of CHP generation is to serve an industrial host facility. Serving a host facility dictates that power deliveries from CHP units in the course of normal operations may vary as a result of changes in the host's thermal or electric demand, whether the variations occur on site or under Public Utilities Code §218(b).² The facilities and their scheduling coordinators report de-rates to the CAISO corresponding to these variations. CAC's concern from the onset of the SCP II has been that these normal variations in output would be counted against availability, subjecting CHP resources to repeated penalties. The

¹ The CAC continues its objection to the application of the SCP to CHP resources and the use of the proportional de-rate methodology for determining availability. The fact that CAC does not address these issues expressly in these comments should in no way represent CAC's endorsement of either the application of the SCP to CHP or the use of the proportional de-rate methodology.

² Public Utility Section 218(b) permits over-the-fence sales of electricity from a CHP unit to its neighboring host facility without treatment as a public utility.

CAISO deleted the phrase “*non-ambient de-rates*” from the Tariff partially in response to these concerns and repeated in its proposals that normal variations in output from Qualifying Facilities are not Forced Outages and will not count against availability.³

CAC supported the CAISO’s proposal to eliminate the phrase “*non-ambient de-rates*” from the CAISO Tariff. However, the CAISO’s statement in its Draft Final Proposal and Decision Memorandum that “*non-ambient de-rates are included in the definition of Forced Outage*” is troublesome.⁴ The definitions of “*Forced Outage*” and “*Outage,*” when read together, state that a Forced Outage is any “*reduction in capacity*” that the CAISO is unable to factor into its scheduling processes.⁵ This definition raises the possibility that variations in electrical output from normal CHP operations that reduce capacity within 72 hours of Real Time, and their corresponding de-rates, could be considered “*Forced Outages.*”

While the CAISO has stated that such variations will not be considered Forced Outages, generators today are held, and years from now will still be held, to the language in the Tariff. CAC does not believe that the CAISO intends to mislead generators. However, the CAISO’s refusal thus far to change its Tariff leaves CHP resources open to harmful consequences should the CAISO or the Federal Energy

³ Straw Proposal at 11; Draft Final Proposal at 12; Alternative Options for the Availability Standard and Replacement Rule Components at 5; Revised Draft Final Proposal at 8.

⁴ Revised Draft Final Proposal at 4. Memorandum to CAISO Board of Governors Regarding Decision on SCP Phase II at 4 (<http://www.caiso.com/2793/2793a9a373680.pdf>) (Decision Memorandum).

⁵ The definition of “*Forced Outage*” includes the term “*Outage.*” Outage is defined as any “*reduction in capacity, planned or forced, of one or more elements of an electric system.*” A Forced Outage is “[a]n Outage for which sufficient notice cannot be given to allow the Outage to be factored into the Day-Ahead Market, HASP, or RTM bidding processes.” Thus, a Forced Outage is any “*reduction in capacity*” that the ISO is unable to factor in to its scheduling processes. Tariff Appendix A, definitions of “*Forced Outage*” and “*Outage*”.

Regulatory Commission misinterpret the definition of Forced Outage in the future. Simple, clarifying language would solve this issue. CAC recommends adding the following language to the definition of Outage, in the Tariff's Appendix A:

“Normal variations in output from facilities that serve industrial host operations, such as combined heat and power facilities, are not considered Outages for purposes of compliance with the provisions of the Resource Adequacy Standard Capacity Product.”

Such language will ensure that variations in output will not affect a CHP generator's availability under normal operating conditions. The CAISO's previous statements that such variations are not Forced Outages simply do not create the level of certainty that CHP generators require.

Respectfully submitted,



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