Comments of the California Large Energy Consumers Association
On the CAISO's December 14, 2010 Straw Proposal
Regarding Creation of a New Scheduling Priority Class
and Revisions to Must-Take Generation

On December 14, 2010, the California Independent System Operator (CAISO) produced a straw proposal entitled "A New Scheduling Priority Class of Regulatory Must-Run Pump Load in the Integrated Forward Market and Modifications to the Definition of Regulatory Must-Take Generation". The California Large Energy Consumers Association (CLECA) just recently became aware of this straw proposal and herein raises concerns about its adoption without specified modifications to clearly define (and limit) eligibility.

As a preface, we note that the CAISO has raised significant concerns in the context of the California Public Utilities Commission's Long-Term Procurement Plan case (R. 10-05-006) about the insufficiency of resources in its markets that can be decremented to maintain system stability (aka downward flexibility) when unexpected energy is available from intermittent renewable resources. Indeed, the CAISO, in presentations to the CPUC, has noted that this insufficiency results from too many self-scheduled and must-take resources. One issue that has arisen in this proceeding is whether some degree of dispatchability might be required of intermittent renewable resources under certain circumstances, rather than treating them as must-take under all circumstances. If this would possibly apply to intermittent renewables, why would it not potentially apply as well to other "must-take" generation under certain limited circumstances? Indeed, we would assume that the CAISO would wish to minimize resources requiring special scheduling priorities or at least define as narrowly as possible under which explicit circumstances they would be deemed "must-take", in order to allow it to operate the system as efficiently and at the lower cost possible. We are concerned that this straw proposal in its current form does not achieve this end.

Given the concerns about downward flexibility, CLECA is thus at the least surprised that the CAISO is now considering creation of another class or two of must-take generation. We are strong supporters of CHP. We also understand that the current CAISO tariff does contain a must-take category for Regulatory Must-Take Generation that is connected to qualification under PURPA. The CPUC decision adopting the so-called QF settlement (Decision No. 12-10-035) provides for procurement of generation from CHP that would not depend on PURPA, so some modification is in order. However, the CPUC decision does not call for the CAISO to confer must-take priority on new QFs or CHP even existing QFs or CHP. Indeed, it extols the virtue of conversion of existing CHP facilities to dispatchable service, because this gives the utility the ability to dispatch the resource when needed rather than having the facility provide baseload generation. (D. 10-12-035, p. 45.) (We would hope that this flexibility would be made available to the CAISO as well.) Our concern is that the CAISO proposal, which would extend must-take priority to all facilities employing CHP that export power to the extent that they are deemed non-

dispatchable, does not define the term “non-dispatchable” or set criteria for being so labeled. While we understand the relationship between power generation from CHP and the process heat or steam related to the electricity generation, this term should be defined clearly to avoid any unnecessary “must-take” designations. In addition, the must-take priority should allow for some consideration of the possibility that there may be some limited circumstances, as with intermittent renewable generation, where the output may not appropriately be “must-take”. The current straw proposal should be modified to address these concerns.

The second proposal addresses the curtailment of regulatory must-run pump load. We find this provision interesting, since DWR bids its pumping load into the CAISO markets as Participating Load, available for curtailment. However, it apparently needs a new scheduling priority to assure that its operations are not curtailed. “The proposed scheduling run parameter value of the proposed new class is higher than that of transmission constraints. When there is insufficient energy supply to serve regulatory must-run pump load due to transmission congestion, the IFM will relax relevant transmission constraints before curtailing the regulatory must-run pump load”. CLECA suggests that the CAISO be sure that this priority only applies when the pump load is truly must-run.