

**California Municipal Utilities Association (“CMUA”)  
Comments on Draft Tariff Language  
Regarding Implementation of a Standard Resource Adequacy Capacity Product  
 (“SCP”)**

*Prepared For Discussion Purposes  
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CMUA submits these Comments on the Draft Tariff language developed by the CAISO to implement its proposal regarding a SCP. CMUA’s comments focus on implementing language and may or may not represent final positions taken at FERC. Failure to raise an issue in these Comments is not indicative of any final position taken by CMUA or its members on any matter.

CMUA appreciates that significant progress has been made on several issues in an attempt to mesh SCP design with procurement realities given the nature of the power portfolios of several LSEs, and the generation mix in California. Below are set forth some concerns and suggestions of CMUA regarding Tariff language as drafted.

**Co-Optimization of Energy and Ancillary Service (“AS”) Markets and Implementation Issues**

In prior comments and discussions, CMUA and members have raised issues regarding proper compensation for Scheduling Coordinators when Energy Self Schedules are curtailed and Resource Adequacy Capacity is utilized provide Ancillary Services. CMUA appreciates the effort to address this issue, which appears at several instances in the Draft Tariff language. CMUA raises two issues here; one is reliability and one is economic.

Reliability

Certain CMUA members have flow limitations between their utility systems and their tie point with the CAISO Controlled Grid and/or Participating Transmission Owner facilities. These can be contractually based limitations, or based on the limitations of the interconnecting systems. In certain operational conditions (such as high load periods), these flow limitations necessitate that resources internal to the CMUA member system run and produce energy so that flow limitations are not violated. CMUA recognizes that the CAISO does not wish to violate reliability criteria. However, this possibility is not addressed in the Tariff language. Moreover, it is not clear whether these limitations (which may be in existing interconnection agreements or on PTO subtransmission systems) are in the CAISO models and will be observed by the software or in operating procedures.

CMUA suggests that Tariff modifications be made to recognize that reliability requirements may limit the co-optimization of Energy and AS Markets desired by the

CAISO. The relevant Tariff language appears at numerous places. CMUA has used Section 40.6.1(4) as a template, and proposes the following language in relevant part.

In such case, the CAISO may curtail all or a portion of a submitted Energy Self-Schedule to allow Ancillary Service-certified Resource Adequacy Capacity to be used to meet the Ancillary Service Requirements, so long as that substitution does not violate the physical limitations of generation or transmission facilities, statutory requirements, reliability requirements of the CAISO, NERC, WECC, or the local LSE, or those contained in agreements governing the interconnected facilities of the Scheduling Coordinator and the CAISO or PTO.

Based on CMUA's review, this Tariff change would be needed in the Section cited above, as well as 40.5.1(1)(iv) and 40.6.2.

#### Economic

CMUA requests clarification of how the CAISO's mechanism for compensating SCs when Energy/AS substitution occurs would keep the SC whole. CMUA does not support a complex administrative mechanism to compensate SCs that are harmed by substitution, and does not believe it is needed. It appears to CMUA that an SC that submits an Energy Self Schedule and has its Resource Adequacy Capacity used for AS is entitled to the positive difference between its replacement Energy, Congestion, and Marginal Losses costs and any penalties resulting from the curtailment, and its AS Market Revenues resulting from the AS substitution. The CAISO should be able to implement and/or verify this mechanism.

#### **Section 40.6.5.1 – Dynamic Resources**

The CAISO Tariff language raises question on how dynamically scheduled resources into the CAISO Balancing Authority Area will be treated with respect to deliverability requirements, and CMUA seeks clarification on that matter.

#### **Section 40.6.4.1 – Definition of Hydroelectric Generating Units**

CMUA could find no definition of Hydroelectric Generating Units in the CAISO Tariff, nor sufficient guidance in other Defined Terms to craft one. Moreover, the defined term Generating Unit appears to be narrow and not encompass the universe the CAISO is seeking to cover in this instance. CMUA proposes that language "Hydroelectric Generating Units" be modified to simply refer to "Hydro-electric generation" to be used in a common sense, plain meaning application of the term.

#### **Section 40.6.5.1 - Additional Availability Requirements for Dynamic Resource-Specific System Resources.**

The caption of this section does not appear to match the subject. It appears that the reference to “or Non-Dynamic” in the first sentence should be removed.

#### **Section 40.9.2(2) - Exemptions**

While CMUA supports the construct, CMUA believes this language requires clarification as existing contracts for Resource Adequacy Capacity may not have specified that counting convention in the contract. CMUA suggests deleting the phrase “and Resource Adequacy Resources specified in the contract prior to January 1, 2009” as those resources may not have been referenced as such in the contract. CMUA does not believe this does any fundamental violence to the issues being addressed in this section.

#### **Section 40.9.2(3) - Exemptions**

Wind and solar resources are different types of intermittent resources that may evolve over time. CMUA suggests using the CAISO’s defined term “Eligible Intermittent Resources” in lieu of “wind resources, solar resources” to allow flexibility to change the definition rather than changing the tariff.

#### **Section 40.9.2(4) - Exemptions**

In order to avoid discriminatory treatment of resources, CMUA proposes to amend this section to read “delivered to the CAISO Balancing Authority,” rather than “within.”

#### **Section 40.9.3 - Availability Assessment Hours.**

CMUA proposes to modify the last sentence to read: “The CAISO shall determine the relevant five hour period that will constitute the Availability Assessment Hours on an annual basis prior to the start of each Resource Adequacy Compliance Year and shall specify them in the Business Practice Manual.”

#### **Section 40.9.4(3) Use-Limited Resources**

CMUA believes that while it appropriate to reconsider the treatment of Use Limited Resources after some experience under the SCP is gained, to reach a design conclusion without evidence is not appropriate. CMUA proposes to delete the phrase “until 2011 for Resource Adequacy Compliance Year 2012 at which time, Use-Limited Resources will be included in the set of Resource Adequacy Resources used to determine the Availability Standards”.

#### **Section 40.9.4.2.1 – Substitute Capacity**

CMUA believes that the CAISO has needlessly limited itself and its flexibility to allow substitution of resources for local capacity area resources. The Tariff language limits pre-qualified resources to those at the same bus. This is needlessly narrow. Without limiting the CAISO's discretion to accept or reject pre-qualified resources, there is no reason why the CAISO should not apply the same test for non-pre-qualified resources (same bus, or same Local Capacity Area, or otherwise meets operational needs) in a pre-qualification process.

#### **Section 40.9.5 – Outage Reporting**

CMUA and its members want to work with the CAISO to come up with workable informational mechanisms to address outages for smaller units. However, the provisions of this section could be extremely burdensome, with very little incremental value for the CAISO. CMUA suggests that this section be deleted and the CAISO develop a working group of affected entities to develop a workable reporting process.

#### **Section 40.9.6.1(1) – Determination of Resource Adequacy Capacity Subject to Non-Availability Charge**

CMUA does not believe that applying a non-availability charge of 100% to an RA Resource with availability less than 50% is justifiable. If the intent is to provide additional incentive for resources to be available, CMUA submits that with the loss of market revenues and the costs associated with addressing forced outages, applying the penalty based on the actual availability percentage (less the 2.5% dead band), should be sufficient incentive for resource owners to keep the resource available as much as possible. The 50%/100% threshold/penalty would be punitive.

#### **Section 40.9.7.1 – Availability Standard for Non-Resource-Specific System Resources**

CMUA notes its continued objection to apply a 100% availability standard. This policy is unsupported and the distinction between these resources and the treatment of other resource types raises issues of undue discrimination.