

PUBLIC UTILITIES COMMISSION

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January 11, 2011

CPUC Staff Comments to CAISO on RMT Proposal

The CPUC staff appreciates the opportunity to submit these brief comments on the CAISO's proposed modifications to the definition of regulatory must-take generation as set forth in the Straw Proposal of December 14, 2010.

Under the recently executed settlement agreement between the investor-owned utilities (IOUs), qualifying facilities (QFs), and ratepayer advocates, a must-take obligation still exists for any QF with 20 MW or less nameplate capacity. The PURPA suspension contemplated under Energy Policy Act of 2005 (Section 210 (m)) does not apply to QFs with 20 MW or less generation capacity if those generators are operating under an existing or new PURPA must-take contract. Scheduling Coordinators for these QFs therefore have no choice but to submit self-schedules. Furthermore, QFs with 20 MW or less generation capacity may not have much operational flexibility due to constraints imposed by the steam host and may not be able to respond to CAISO dispatch instructions. It is important that the CAISO accommodate the operational constraints of QFs operating under a valid QF PURPA contract.

So, in the CAISO tariff, in addition to grandfathering scheduling flexibility for QFs under existing contracts, the CAISO should accommodate newly signed PURPA contracts for QFs with 20 MW or less generation capacity. The CPUC staff proposes the following modification to the tariff language in the CAISO's December 22, 2010 presentation:

The following generation resources identified by CPUC, or a Local Regulatory Authority, the operation of which is not subject to competition. These resources will be scheduled by that the relevant Scheduling Coordinator may bid or schedule directly with the CAISO on a must-take basis. Regulatory Must-Take Generation includes: (1) Generation from Qualifying Facility Generating Units subject to a ~~an~~ **Existing** QF Contract pursuant to a mandatory purchase obligation as defined by federal law.; (2) the non-dispatchable capacity of Generation from (a) other QF Generating Units, (b) other Generating Units of facilities producing electricity in conjunction with useful thermal energy, or (c) Generating Units of facilities producing electricity as part of a process to capture and inject carbon dioxide for enhanced oil recovery; (3) Generation from nuclear units; and (4) the minimum take Generation from Generating Units subject to pre-existing power purchase contracts with minimum Energy take requirements.

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This modification will ensure adequate operational protection of QFs with 20 MW or less generation capacity under the CAISO tariff, in order to assist the IOUs in meeting ambitious RPS and CHP procurement goals.

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