Supplemental Comments of the California Wind Energy Association on the ISO Updated Straw Proposal for an RA Standard Capacity Product

December 30th, 2008

The California Wind Energy Association (CalWEA) appreciated the opportunity to submit comments earlier on the ISO's December 4th Updated Straw Proposal (Update) for its Resource Adequacy Standard Capacity Product (RA SCP).

Our comments considered the ISO's helpful clarifications, at the December 11th meeting, about the applicability of the ISO's proposal for availability penalties and bonuses to wind-generation resources, which typically have Net Qualifying Capacity (NQC) values considerably below their rated capacity. Specifically, the ISO clarified that, because "availability" would be determined relative only to the NQC, that metric might not be problematic for most wind-generation resources.

However, the "interesting exchange" at that meeting where the ISO clarified its position apparently led others to question this aspect of the proposal, and their submitted comments have again raised our alarm at the potential impact of the ISO's proposal if the positions of these parties are incorporated in the upcoming ISO Final Proposal. We are specifically concerned about remarks in this area made by two parties: PG&E and the ISO's Department of Market Monitoring (DMM).

PG&E's comments at p.3 ("Measuring availability of resources whose NQCs are significantly below their rated capacities") propose that resources with low NQCs relative to their total rated plant capacity be subject to an availability measure against their total rated capacity, not their NQC.

DMM's comments at pp.1 and 6 suggest that: (1) "availability" be assessed for intermittent resources based on "RA resources and bids" after MRTU implementation, not reported forced outages; and (2) "many non-thermal resources may actually be available to the CAISO markets in peak hours at a lower value than is reflected in the NQC of the unit," implying that the ISO should consider reducing NQCs for such resources beyond any adjustment already made for that purpose by the CPUC or other Local Regulatory Authority (LRA) for that purpose.

CalWEA submits the following supplemental response to these remarks by these other parties.

<u>The ISO is already implementing a complex framework to reflect the value to ISO of capacity and energy at different locations at different times of the day and year</u> – Locational Marginal Pricing (LMP) under MRTU. That framework will already pay resources more for increased availability at high-value locations and times; imposing another "availability"-based framework on top of LMP payments and charges would be duplicative, unnecessary, and undermine the LMP construct.

<u>The PG&E proposal would be highly discriminatory.</u> Effectively, PG&E proposes that resources whose capacity value has already been significantly reduced through imposition of a low NQC that already reflects the intermittent nature of their production be subject to a completely different "availability" measure than other resources, i.e., compared to their total rated capacity, not their NQC. This would impose yet another layer of "double counting," in addition to those raised in our earlier comments.

The DMM proposal would also be duplicative and would usurp CPUC/LRA ability to determine QC. As we have noted repeatedly throughout this process, the CPUC determination of QC for wind resources already considers production in defined peak-demand hours, and the ISO has appropriately intervened in the relevant proceedings to advocate its views on this matter. A further ISO adjustment to QC or NQC for this same purpose would impose yet more double-counting in this already-dubious construct, and it is not necessary to observe the "actual market availability of these resources under MRTU" to reach this conclusion.

The PG&E and/or DMM proposals would raise RPS compliance to consumers. Imposing significant financial penalties for unavoidable performance attributes of renewable resources – either directly or through "back-door" measures like duplicative NQC devaluations – will simply force suppliers to raise the cost of their bids, not only to reflect the expected additional cost of the inevitable penalties at the time of the bids but also the additional risks related to the level of these penalties in the future. CalWEA strongly urges the ISO to reject these approaches explicitly, in order to avoid undermining the state's progress toward meeting its aggressive 33% RPS targets.