

**COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION
AND THE LARGE-SCALE SOLAR ASSOCIATION
ON THE CAISO SCP II STRAW PROPOSAL**

The California Wind Energy Association (CalWEA) and the Large-scale Solar Association (LSA) hereby submit these joint comments on the January 19th CAISO document, *Standard Capacity Product II – Straw Proposal* (“Proposal”). Our comments cover three topic areas:

- Recognition that the current intermittent-resource exemption from Resource Adequacy Standard Capacity Product (RA SCP) availability payments and charges cannot be revoked unless the double-counting problem is addressed;
- Applicability of the same RA SCP rules to intermittent resources as for other resources, if the exemption is revoked; and
- Grandfathering provisions for contracts executed before FERC approval of any exemption revocations.

Each of these topics is discussed further below.

Revocation conditions: The Proposal notes that the CAISO has proposed, in Phase 1 of the CPUC R.09-010-032 (Resource Adequacy) proceeding, changes to the recently adopted CPUC RA counting rules for intermittent resources and then again proposes revoking the current exemption. While it may seem obvious, any revocation of the exemption:

- Must be based on CPUC changes that fully address the “double-counting” problem; and
- Cannot take effect until the CPUC adopts and finalizes such changes.

Moreover, as the Proposal appears to recognize (on p.11), any revocation cannot apply to resources under the jurisdiction of other Local Regulatory Authorities (LRAs) that retain RA Qualifying Capacity (QC) counting rules with the same double-counting problems.

Applicability of current RA SCP rules to intermittent resources: The Proposal (at p.11) proposes to apply “the same availability standard, availability incentives, unit substitution and grandfathering rules” to intermittent resources as are now applicable to other resources. Indeed, the Proposal’s “grandfathering” element is based on the contention that the SCP rules were fully known as of last summer’s FERC approval (see below).

These rules effectively require RA Resources to have available (not on forced outage), on average, capacity equal to their RA Net QC (NQC), during specified hours. Since NQC values are generally well below nameplate capacity for intermittent resources, it might not be difficult for intermittent resources to qualify for RA SCP availability payments under these provisions.

This feature has been discussed at length in the CPUC RA proceeding. It is a direct result of the low QC values assigned to intermittent resources under the QC formulae adopted by the CPUC, which have been proposed or supported by the CAISO; any modification of the latest formula in the CPUC RA proceeding will probably not materially change this.

However, at the February 28th CPUC RA workshop, the CAISO made a cryptic reference to a “solution” to this feature that it “forgot” to include in the Proposal. We do not yet know any details of this purported “solution,” but any adjustment to the SCP structure specifically aimed at reducing the ability of intermittent resources to qualify for availability payments would be patently unfair and discriminatory, and potentially undercut the “standardization” of the SCP so valued by the CAISO.

Grandfathering provisions: The SCP availability payments and charges provisions exempt all contracts with RA Resources executed before June 28th, 2009. The CAISO's justification for that exemption was prevention of double penalties for forced outages, since Power Purchase Agreements (PPAs) to that point generally already contained availability incentives and penalties, so imposing the RA SCP rules in this area would be duplicative.

The Proposal proposes to use the same grandfathering date for imposing SCP availability payments and charges on intermittent resources, assuming that the NQC double-counting problem is addressed (see above). However, PPAs with intermittent resources since that date have continued to be written with exactly the same provisions as before – straight per-MWh payments, and guaranteed minimum production levels (with penalties for not meeting those production levels); other contracts include specific incentives for mechanical availability.

Thus, intermittent-resource suppliers with existing contracts (or those now under negotiation) would be penalized twice for forced outages – once under their PPAs, and then again under the SCP rules. This is exactly the problem that the original grandfathering provisions were supposed to address, and it is no less acute now than it was then.

Therefore, if the SCP availability payments and charges are applied to intermittent resources, contracts that include straight per-MWh payments and/or guaranteed minimum production levels (with penalties for not meeting those production levels) should be exempt. Unless an exemption for such contracts is maintained, the SCP program will not comply with FERC's direction that intermittent resources should not be double-penalized for forced outages.