



COMMENTS OF HYDROGEN ENERGY CALIFORNIA ON CAISO'S PROPOSAL TO MODIFY THE DEFINITION OF REGULATORY MUST-TAKE GENERATION

Hydrogen Energy California LLC (HECA or Project) firmly supports the California Independent System Operator's (CAISO's) proposed revision to the definition of "*Regulatory Must Take Generation*" and the associated tariff changes. These proposed changes, if adopted, will support the development of carbon capture and sequestration (CCS) projects in California, consistent with clearly articulated state policy.

HECA is a CCS Integrated Gasification Combined Cycle project to be built in Kern County. The Project will gasify petroleum coke to produce hydrogen, which will fuel a combustion turbine operating in combined cycle mode. HECA will capture carbon dioxide (CO₂) produced in the gasification process and transport it to a nearby facility for enhanced oil recovery (EOR).

Pivotal to Project development is the ability to ensure delivery of a steady, reliable stream of CO₂ to be used in the EOR process. Without this capability, the Project cannot and will not be developed. CAISO's proposed changes would permit the Project's scheduling coordinator to self-schedule energy in a predictable manner and would prevent economic curtailment, ensuring that the Project could meet its EOR host obligations.

HECA's need to self-schedule is in line with CAISO's contemplated definition. The definition limits treatment as "*Regulatory Must-Take Generation*" to non-dispatchable capacity. To the extent the Project must run to meet CO₂ host requirements, the capacity would be considered non-dispatchable and would fall within the definition. If there is additional, dispatchable Project capacity beyond this level,

however, it would not receive CAISO's proposed protection. The proposed definition, therefore, is not a blanket protection for all CCS projects.

Adoption of CAISO's proposed changes will promote California policy under AB 32. In the Clean Energy Future report jointly prepared by the California Public Utilities Commission, California Energy Commission, the California Air Resources Board, California Environmental Protection Agency and CAISO, the agencies and CAISO made clear that they are "*targeting the development of at least one utility-scale CCS generating facility in California by 2020.*"¹ The report further pointed out that to achieve this goal, California would need a regulatory framework to address "*permitting and operating of CCS facilities.*"² CAISO's proposal to revise the definition of "*Regulatory Must Take Generation*" is a positive step towards a framework that will achieve state policy objectives.

HECA appreciates CAISO's foresight in developing the proposed definition and urges CAISO to adopt it as written.

Respectfully submitted,



Evelyn Kahl
Alcantar & Kahl LLP
33 New Montgomery Street, Suite 1850
San Francisco, CA 94105
415.421.4143 office, 415.989.1263 fax
ek@a-klaw.com

Counsel to
Hydrogen Energy International, LLC

January 11, 2011

¹ California Clean Energy Overview, page 6 (2010) (available online at: <http://www.cacleanenergyfuture.org/2821/282190a82f940.pdf>).

² *Id.*