



Comments of Pacific Gas and Electric Company on Draft Tariff Language Regulatory Must-Take Generation

Submitted by	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) welcomes the opportunity to participate and submit comments on draft tariff language in the stakeholder process for California Independent System Operator's ("CAISO") Regulatory Must-Take Generation ("RMTG").

Summary

PG&E appreciates the CAISO's recognition of any contractual rights that the buyer may have to schedule below the must-take generation required for the host's industrial process. To the extent that a Combined Heat and Power Resource (CHP) can supply its thermal host needs without output from their primary generating facilities through the use of back-up systems, no RMTG scheduling priority should be necessary. In these cases, PG&E has previously been able to negotiate reductions in generator output and reduced procurement costs for its customers.

PG&E is concerned that this initial draft tariff does not reflect all aspects of the policy adopted by the CAISO Board on May 16, 2012, in the Memorandum to ISO Board of Governors from Keith Casey, VP, Market and Infrastructure Development, dated May 9, 2012, titled "Decision on Regulatory Must-Take Generation Scheduling Priority" ("Memo").

Specifically, the draft tariff does not ensure that the RMTG scheduling priority is limited to the actual megawatt quantity necessary to meet the expected host's industrial process requirements in any given hour. PG&E suggests definitional changes resulting in modification of section 30.5.2.2 to resolve this inconsistency. Further, the tariff language may inadvertently exclude some existing Qualifying Facility (QF) contracts from RMTG status. Additional questions and minor language corrections are also included for consideration.

Definition of “Regulatory Must-Take Generation”

PG&E believes the new definition of “Regulatory Must-Take Generation” should be modified to ensure the Memo’s intent that the RMTG scheduling priority be limited to the actual hourly physical requirements of the industrial host.

The Memo states:

“Under this proposal, the regulatory must-take scheduling priority is limited to the maximum amount of eligible capacity needed to produce thermal energy used by a host industrial facility. In addition, Management will require that regulatory must-take schedules reflect the actual hourly physical requirements of the industrial host.” (Memo, pp. 2-3.)

Also,

“Combined heat and power resources are allowed only to use the scheduling priority up to the actual megawatt quantity necessary to meet the expected host’s industrial process requirement in any given hour.” (Memo, p. 4.)

While the Memo is clear, the draft tariff defines “Regulatory Must-Take Generation” in relation to CHP Resources as,

“(2) Generation delivered from a CHP Resource needed to serve its host requirements up to RMTmax;”

To be consistent with the Memo, PG&E proposes the following change to section (2) of draft tariff’s RMTG definition:

“(2) Generation delivered from a CHP Resource needed to serve its host’s industrial process requirements up to RMTmax in any hour;”

Need for a “Regulatory Must-Take” Definition

The proposed new definition for “Regulatory Must-Take Generation” refers to different types of generating units. However, it does not specify hourly amounts of must-take capacity or reflect how the units would be scheduled by the Scheduling Coordinator (SC). As noted above, the hourly must-take capacity must “reflect the actual hourly physical requirements of the industrial host” and that scheduling priority exists only for “the actual megawatt quantity necessary to meet the expected host’s industrial process requirement in any given hour.”

PG&E suggests the draft tariff incorporate a new defined term, “Regulatory Must-Take (RMT)” as,

“the minimum amount of generation on an hourly basis, not to exceed RMTmax, submitted by a CHP Resource to its SC that would qualify for scheduling priority, up to the actual megawatt quantity **necessary** to meet the expected host’s industrial process requirement in any given hour.”(Bold added for emphasis.)

Modifications to Section 30.5.2.2, Supply Bids for Participating Generators

Intent and clarity from the Board on its Memo has been lost in the translation to the draft tariff on this topic. (Differences appear in bolded text.)

“Scheduling quantities that a Scheduling Coordinator identifies as Regulatory Must-Take Generation for a CHP Resource shall be limited to the quantity necessary to meet the **reasonably anticipated** industrial host’s thermal and electric requirements and shall not exceed any established RMTmax values.” (RMTG Draft Tariff Language, May 10, 2012, bold added.)

“Regulatory must-take hourly schedules would be limited by these values [RMTmax]. However, combined heat and power resources are allowed only to use the scheduling priority up to the actual megawatt quantity **necessary to meet the expected host’s industrial process requirement** in any given hour.” (Memo, p. 4, bold added.)

The Memo is the Board-approved policy and is thereby the guiding document. Given this, PG&E suggests that Section 30.5.2.2 be revised to state:

“Scheduling quantities that a Scheduling Coordinator identifies as Regulatory Must-Take ~~Generation~~ for a CHP Resource shall be limited to the quantity necessary **in any hour** to meet the **non-dispatchable capacity based upon the** ~~reasonably anticipated~~ host’s industrial **process** ~~thermal and electric~~ requirements and shall not exceed any established RMTmax values. The CHP Resource owner or operator shall provide its Scheduling Coordinator with the Regulatory Must-Take values and is solely responsible for the accuracy of the information. The Scheduling Coordinator for the CHP Resource will schedule the quantities consistent with information provided subject to any contract rights ~~the Scheduling Coordinator may have.~~” (Changes made to draft tariff language.)

Definition of RMTmax

To conform with the Memo, PG&E proposes the following rewording of the first paragraph of the RMTmax definition:

“For a Generating Unit that provides Regulatory Must-Take Generation from a CHP Resource, the minimum operating level at which the Generating Unit can safely and reliably meet host’s industrial process requirements...”

Here are some additional changes that may be beneficial to the RMTmax definition. The Memo describes the two RMTmax values in the following straightforward, easy to understand manner.

“The maximum amount of eligible regulatory must-take capacity would be two values. The two values will allow different maximum eligibility amounts for off-peak and on-peak hours. While the on-peak value will be required, the different off-peak value would be optional and used only if both the combined heat and power resource and its contractual counterparty (or the ISO if there is no contractual counterparty) agree. Regulatory must-take hourly schedules would be limited by these values. (Memo, p. 4.)”

The same cannot be said for the description in the draft tariff definition of RMTmax. The language appearing in the paragraph below section (a)(2) of the definition of RMTmax is confusing and appears to make the establishment of RMTmax voluntary. In addition, the statement, “two daily RMTmax values may be established, one for off-peak and one for on-peak as those terms are defined by NERC” could be interpreted as requiring the establishment of RMTmax values for each day of the year. PG&E recommends that this draft section be revised along the following lines:

“An RMTmax for on-peak periods shall be established in the manner described above. An RMTmax for off-peak periods may be adopted, if agreed to by the Generating Unit’s owner or operator and the Scheduling Coordinator or, where appropriate, the CAISO. RMTmax shall refer to the daily on-peak and off-peak periods as defined by the NERC.” (Changes made to draft tariff language.)

This revised language below section (a)(2) of the definition of RMTmax might fit better elsewhere in the tariff. At a minimum, it should be separated into a separate subsection.

The final line of the RMTmax definition, “As part of the initial and annual recertification process, the Generating Unit owner or operator must provide the CAISO and its Scheduling Coordinator, if the Scheduling Coordinator is a UDC or MSS, with an annual non-binding indicative Regulatory Must-Take Generation usage profile,” also, merits its own subsection.

Definitions of Amended QF Contract and Existing QF Contract

The definitions of Amended QF Contract and Existing QF Contract may inadvertently exclude some legacy contracts (aka “grandfathered” Power Purchase Agreements (“PPAs”)) and consequently terminate their RMTG status. PG&E understands from page 10, item 4 of the April 30th, Regulatory Must-Take Addendum to Draft Final Proposal (“Addendum”) that CAISO, “proposes to remove the category of generating units subject to pre-existing contracts with minimum energy take requirements from the definition, as the ISO is unaware of any such units that aren’t covered by some other provision of the proposed new definition.”

However, PG&E believes that some contracts are not covered by the new definition. For example, an “Existing QF Contract” does not include a Standard Offer Public Utility Regulatory Policies Act contract that has been amended by terms other than either the Legacy PPA Amendment (as proposed in the draft tariff) or in terms of a pricing amendment that was approved by the CPUC prior to November 23, 2011.

As such, PG&E recommends that the definition of Existing QF Contract be modified to re-insert that Existing QF Contracts include, “projects that are subject to an agreement for the sale of capacity, Energy, and/or Ancillary Services by a Participating Generator to an electric utility

from a Qualifying Facility contract that became effective on or prior to December 20, 1995 or, in the case of Participating Generator employing landfill gas technology, on or prior to December 31, 1996.”

Change from IOUs to UDCs and MSS

The documents for the stakeholder discussions and the Memo consistently references Participating Generators interconnected to IOUs whereas the draft tariff language references Participating Generators connected to a Utility Distribution Company (UDC) or Metered Subsystem (MSS). PG&E seeks clarity from the CAISO on the reason for this change.

Minor Language Corrections

In this section, PG&E suggests ways to clarify the draft tariff language or seeks understanding as to why some tariff changes are being proposed.

In Section 4.5.1.6.2 (a):

- PG&E questions the need to add “or other suppliers” following the words “represented Generators.”
- Similarly, the words “or other contracts that obligate the supplier to comply with the terms of the CAISO tariff as applicable” seem unnecessary.

In Section 4.6.3.3:

- Should the wording in the first sentence be modified under (2) to incorporate Existing QF Contracts?
- Additionally, PG&E questions if both “may” and “if applicable” in what is proposed as the first sentence are required.
- Finally, PG&E asks if the CAISO intends to offer a Net Scheduled PPA to any QF that meets the PURPA designation as a QF resource regardless of size, technology, execution date or contract Status. For example, is the CAISO’s intent to allow a new wind farm of over 20 MW that may qualify as a QF to execute a Net Scheduled PGA?

In Section 4.6.3.4.1:

- The CAISO may want to change the remaining term “QF PGA” to “Net Scheduled PGA.” This appears to be an oversight.

In Section 4.6.3.4.4:

- PG&E suggests that the term “minimum operating limits” be capitalized.

In Section 8.2.2.3:

- PG&E questions if the addition of “with Existing QF Contracts or Amended QF Contracts” following the words “Regulatory Must-Take Generation” is necessary given that the terms are already incorporated in the definition of “Regulatory Must-Take Generation.”

In Section 9.3.5.2:

- PG&E seeks an explanation for replacing the words “providing Regulatory Must-Take Generation” with “with an Existing QF Contract or Amended QF Contract” several times in this same section. Note that the replacement terms are contained within the definition of the term they are replacing. In the event the CAISO determines the change is required, PG&E questions if the phrase “Regulatory Must-Take Generation” in the third sentence “...shall continue to be coordinated as detailed in the applicable contract with the Participating TO or UDC, provided the owner of the Regulatory Must-Take generation resource has not executed a Participating Generator Agreement....” should be replaced with “Existing QF Contract or Amended QF Contract.”