

## Comments of Pacific Gas and Electric Company

Submitted by	Company	Date Submitted
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### **Subject: Standard Capacity Product -- Qualifying Facilities Issue**

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to submit comments on the *Standard Capacity Product (SCP) Recommendation -- Qualifying Facilities (QF) Outage Reporting Issue*, posted August 30, 2011 (SCP Recommendation). PG&E is supportive of the California Independent System Operator's (ISO) SCP Recommendation with the clarification that the type of amendments to QF contracts that would be subject to the SCP requirements are those that change the original contract quantity or contract term consistent with the ISO's existing tariff language.

#### Background

Section 40.9.2 of the ISO tariff exempts certain Resource Adequacy (RA) resources from the ISO's SCP Phase II (SCP II) non-availability charges and availability incentive payments (availability charges). These resources include QF RA contract resources to the extent the contract was executed or submitted to a Local Regulatory Authority before August 22, 2010. However, if a QF RA contract is amended to either increase the contract capacity or extend the term, the exemption in Section 40.9.2 no longer applies.

PG&E and Southern California Edison Company (SCE) (together, the Investor Owned Utilities or IOUs) have been working together with the ISO on issues concerning the applicability of the ISO's SCP II requirements to existing QF RA resources. The Federal Energy Regulatory Commission (Commission) has granted PG&E and SCE a series of temporary exemptions for all QF RA resources under contract with them from the ISO's tariff sections related to forced outage reporting requirements (Section 40.9.5) and availability charges (Section 40.9.6). The temporary waiver and its extension through September 30, 2011 have been granted in order to allow the ISO, the IOUs, and other stakeholders the time to reach an agreement on how to best deal with "grandfathering" for QF RA resources for forced outage reporting and availability charges. PG&E and SCE have requested an additional extension to the earlier of December 31, 2011, or the effective date of the

Commission order on the anticipated ISO filing proposing tariff language to permanently resolve this matter; the Commission is yet to act on that request.<sup>1</sup>

On June 10, 2011, the ISO posted the IOUs' and San Diego Gas and Electric Company's Joint Proposal on how grandfathering should work for QF RA resources. On August 30, 2011, the ISO posted its SCP Recommendation. On September 2, the ISO conducted a stakeholder conference call.

### Comments

PG&E appreciates the progress that has been made so far on this issue and believes that the SCP Recommendation forms a good foundation for an approach to resolve issues and concerns related to existing QF RA resource contracts. However, the ISO's SCP Recommendation requires some clarification to ensure that stakeholders and the ISO have a common understanding of the scope of the ISO's proposal. PG&E briefly describes the necessary clarifications below.

First, the SCP Recommendation indicates that "QFs entering new power purchase agreements under the QF Settlement must comply with the ISO tariff, including entering into a participating generator agreement or a QF participating generator agreement." See SCP Recommendation at p. 3. The ISO concludes that QFs entering into new power purchase agreements are not grandfathered QF PPAs and thus these QFs will not be exempted from the requirements in Section 40.9. PG&E agrees with this conclusion.

However, the SCP Recommendation does not address the "Legacy Amendment" and its options that is also included in the QF Settlement Agreement and that was approved by the California Public Utilities Commission (CPUC) when it approved the QF Settlement. The Legacy Amendment is not a new PPA, but, rather, an amendment to an existing PPA. The Legacy Amendment and its options do not extend the term of the existing PPA or increase the contract capacity. The ISO should clarify in the SCP Recommendation that the forced outage reporting requirements and availability charges do not apply to QFs with existing PPAs that enter into Legacy Amendments under the QF Settlement Agreement.

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<sup>1</sup> To see PG&E's August 31, 2011 Commission filing, use this link, [http://elibrary.FERC.gov/idmws/file\\_list.asp?accession\\_num=20110901-5129](http://elibrary.FERC.gov/idmws/file_list.asp?accession_num=20110901-5129)

Second, in addition to the Legacy Amendment, the IOUs routinely amend existing QF contracts to address issues that are not related to increases in capacity or extensions of the contract term. For example, PG&E recently entered into amendments with over 40 QFs to make the energy prices fixed (rather than variable) under the QFs' existing contracts for a certain period of time (not to exceed the existing contract term), and these fixed price amendments include other provisions such as updates to scheduling protocols and notification requirements. PG&E recently filed these amendments with the CPUC for approval. PG&E seeks ISO confirmation that contract amendments, such as the fixed energy price amendments described above, which do not extend the contract term or increase the contract capacity will continue to be exempt.