

**Southern California Edison**  
**Stakeholder Comments**

**FERC Order 764 Market Changes**  
**Intermittent Resource Protective Measures**  
**Straw Proposal**  
**issued July 26, 2013**

Submitted by	Company	Date Submitted
Gigio Sakota – (626) 302-5927 Eric Little – (626) 302-6607	Southern California Edison	August 9, 2013

The following are Southern California Edison’s (SCE) comments on the California Independent System Operator’s (CAISO) Straw Proposal for Intermittent Resource Protective Measures in the FERC Order 764 Market Changes.<sup>1</sup> SCE appreciates the opportunity to provide comments and participate in the stakeholder process. SCE shares the CAISO’s goal to provide a path for an orderly transition out of the Participating Intermittent Resource Program (PIRP).

SCE supports the following elements of the proposal:

- Setting a firm expiration date for the PIRP Protective Measures
- Limiting the program to resources physically unable to follow CAISO dispatches and with a financial exposure to imbalances
- Allowing eligible resources to either fully opt-in or fully opt-out of protective measures, and then settling with them accordingly

SCE opposes the following elements of the proposal:

- Cost allocation to all Scheduling Coordinators (SC) with net deviations
- Opening the protective measures to any resources other than those with an LSE contract
- Opening the protective measures to resources not already certified as Participating Intermittent Resource (PIR)

---

<sup>1</sup> CAISO Straw Proposal posted on July 26, 2013. <http://www.caiso.com/Documents/StrawProposal-FERCOrder764MarketChanges-IntermittentResourceProtectiveMeasures.pdf>

**1) CAISO should set a firm expiration date for the protective measures**

SCE supports CAISO's proposal to set a firm expiration date for the Protective Measures. SCE proposes that Protective Measures be limited to one year from the implementation of the Order 764 Market Design Changes, which is in line with the requests of the intermittent resource advocates such as California Wind Energy Association (CalWEA) and the Large Solar Association (LSA). In previous comments, "CalWEA requests that the current PIRP monthly imbalance settlement cost averaging/netting schemes be kept in place for at least a year after all market changes are fully implemented."<sup>2</sup> The LSA stated that "grandfathering could be eliminated after a year under the new structure if imbalances from forward schedules are significantly reduced, as the CAISO has postulated."<sup>3</sup>

SCE is willing to compromise and support the three year duration of Protective Measures if they are limited to resources currently in PIRP with existing contracts, as described in Sections 5 and 6.

**2) SCE supports limiting the scope to resources physically unable to follow CAISO dispatches**

SCE opposes extending the Protective Measures to resources without a contract, as described in Section 5. However, if CAISO extends the Protective Measures to resources without a contract, then for those resources, SCE supports limiting the scope to older vintage units that are physically unable to follow dispatches. It also makes sense to require these resources to plan to install equipment that would allow them to follow CAISO dispatches and/or seek a Power Purchase Agreement (PPA) eliminating their financial exposure to imbalances. However, in the CAISO proposal, it seems that the resources are only required to sign a good faith statement of intent to do so, without any penalty if they fail. In fact, CAISO recognized during the August 2 conference call that this provision lacked "teeth". SCE believes a good way to address this is to have the Protective Measures costs allocated back to SCs participating in the program, as they will be best situated to determine if the resource has carried out its obligations. SCE provides more details on this in Section 4 below.

---

<sup>2</sup> CalWEA comments filed on April 16, 2013, page 3.

<sup>3</sup> LSA comments filed on April 16, 2013, page 1.

### **3) SCE supports allowing eligible PIRs to either fully opt-in or fully opt-out of Protective Measures**

SCE strongly supports the CAISO proposal to allow eligible resources to either fully opt-in, and receive protective measures for the entire period of eligibility, or opt-out by not requesting protective measures and instead receive the full benefits of 15-minute scheduling.

As explained by the CAISO in its proposal, FERC Order 764 Market Changes are intended to better support the participation of intermittent resource in the ISO markets by providing a superior framework for scheduling in the real-time market. The new market structure significantly reduces the exposure to real-time imbalances, thereby eliminating the need for the protection against exposure to hourly charges for uninstructed imbalance energy offered under PIRP.<sup>4</sup> In fact, for most intermittent resources, the new market structure is expected to provide higher real-time revenues than the current structure with PIRP benefits.<sup>5</sup>

For the resources that choose to opt-in to Protective Measures, the settlements should fully reflect this choice. By opting in, the resources should forgo any 15-minute scheduling benefits as proposed by the CAISO. The grandfathering benefits should not make anyone better off than they are in the market structure being grandfathered.

It is imperative that the CAISO maintains this approach and avoids providing a risk free option to resources where they could elect to receive Protective Measures, and then opt-out as soon as they realize that participating in the new 15-minute market is a superior option.

### **4) CAISO should allocate Protective Measures costs only to the participating SCs**

The current proposal to spread the netting costs to all negative real-time deviations provides improper incentives for Load Serving Entities (LSE) holding contracts with Protective Measures eligible resources. If an LSE amends and/or clarifies their contracts so that the affected intermittent resources no longer require protective measure, the LSE would be picking up the full cost of the netting benefit to the intermittent resource.<sup>6</sup> If they do not amend the contract, than any costs would be allocated to all net negative deviations, and therefore would be spread to other LSE's as well. Therefore, if the proposed structure is

---

<sup>4</sup> CAISO Straw Proposal, Page 3

<sup>5</sup> CAISO Straw Proposal, Page 5, Figure 1

<sup>6</sup> The assumption here is that an intermittent resource would only agree to an amended contract with the LSE if they are offered a benefit comparable to electing Protective Measures.

adopted, it is not clear that it's in the interest of an LSE and their customers to amend and/or clarify any contracts.

While SCE cannot predict how eligible resources will act, it is conceivable that some may simply choose to opt-in for Protective Measures as to avoid market uncertainty. CAISO has in fact stated that some resources, albeit a minority, may be worse off with the new market design.<sup>7</sup> This uncertainty may drive more resources to avail of the program than a simple expected revenue analysis would suggest. This is why SCE believes market incentives should be aligned as to encourage LSEs and resources to resolve their contract terms.

If the CAISO follows SCE's recommendation to limit the Protective Measures only to those resources with a current LSE contract, then the proper incentive would be to allocate all grandfathered netting benefit costs back to the LSE holding the contract with the resources requesting the protective measures. This would entice all LSEs to clarify, and if necessary amend, their contracts as to obviate the need for implementing any protective measures at all – reducing market complexity and avoiding the additional CAISO settlement costs.

If the CAISO insists, despite SCE's objections, on opening the Protective Measures to resources without contracts, a preferred approach is to allocate the Protective Measures netting costs only to participating SCs<sup>8</sup>. So if an LSE resolves any PIRP related issues with their contracted resources, they would be exempt from any Protective Measures netting costs or revenues. If an LSE doesn't resolve these issues and their resources opt-in for Protective Measures, they would be sharing these costs with the other SCs availing of the program.

It is SCE's intent to resolve any PIRP related contract issues, and have all of its resources fully participate in the 15 and 5 minute Real-Time markets, without the need for Protective Measures. SCE does not want to have the financial exposure to imbalance charges (or revenues) caused by other market participants.

##### **5) CAISO should limit the protective measures only to resources with an LSE contract**

During the stakeholder process, the issue of PIRP grandfathering was always discussed within the existing contract framework. In fact CalWEA commented: "Hence, we strongly request that PIRP be grandfathered for all projects with existing power purchase agreements

---

<sup>7</sup> CAISO Straw Proposal, Page 5, Figure 1

<sup>8</sup> Note: participating SCs would include LSEs with participating resources, as well as any participating resources without a contract, scheduling their own output.

that were executed during PIRP’s existence...” (emphasis added)<sup>9</sup>. The LSA also commented that “LSA continues to strongly support continuation of the monthly netting provisions of the Participating Intermittent Resources Program (PIRP) for projects with Power Purchase Agreements (PPAs)” (emphasis added)<sup>10</sup>. The CAISO itself proposed in the FERC Order 764 Compliance Addendum to Draft Final Proposal that the resources need to meet the specified criteria including that “the PIRP resource bears the imbalance market costs under its existing PPA” (emphasis added).<sup>11</sup>

Resources without a contract are already exposed to market risks and uncertainties and have had plenty of time to adjust to upcoming market changes. It is worth noting that changes to PIRP were contemplated since three years ago, in the Renewable Integration Market Product Review (RIMPR) Phase I.<sup>12</sup> In addition, these are likely fully depreciated resources with over 20 years of commercial operation. There is no reason anyone should have to continue to subsidize them.

#### **6) CAISO should limit the Protective Measures only to current PIRs**

The idea of Protective Measures was conceived as a temporary tool to protect the current contracts, as discussed above. If a resource is not a PIR today, then either they are ineligible due to their contract terms, or they’ve simply chosen to forgo PIRP. Either way, the objective here is to protect the terms and conditions of current contracts from significant and unanticipated changes in market design, and it is not to protect resources from such changes.

SCE can support extending this benefit to resources that meet the other discussed criteria and qualify as a PIR prior to the FERC approval of the Order 764 Market Design Changes. That should be the final deadline for qualifying for Protective Measures.

---

<sup>9</sup> CalWEA comments filed on April 16, 2013, page 5. [http://www.caiso.com/Documents/CalWEA-Comments-FERC\\_Order764MarketChangesDraftFinalProposal.pdf](http://www.caiso.com/Documents/CalWEA-Comments-FERC_Order764MarketChangesDraftFinalProposal.pdf)

<sup>10</sup> LSA comments filed on April 16, 2013, page 1. [http://www.caiso.com/Documents/LSA-Comments-FERC\\_Order764MarketChangesDraftFinalProposal.pdf](http://www.caiso.com/Documents/LSA-Comments-FERC_Order764MarketChangesDraftFinalProposal.pdf)

<sup>11</sup> CAISO Draft Final Proposal – Addendum posted on April 24, 2013, page 24. [http://www.caiso.com/Documents/Addendum-DraftFinalProposal-FERC\\_Order764MarketChanges.pdf](http://www.caiso.com/Documents/Addendum-DraftFinalProposal-FERC_Order764MarketChanges.pdf)

<sup>12</sup> CAISO Presentation from July 16, 2010, page 26. <http://www.caiso.com/Documents/Presentation-RenewablesIntegrationMarketandProductReviewStakeholderMeeting16-Jul-2010.pdf>