

BAMx Comments on Renewable Integration Phase 2 Discussion and Scoping Paper

Submitted by	Company	Date Submitted
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The Bay Area Municipal Transmission Group (BAMx) submits these comments on the CAISO's April 5, 2011 Discussion & Scoping Paper on Renewable Integration Phase 2 (Scoping Paper). As the Scoping Paper and the stakeholder discussion during the April 12 stakeholder meeting on this topic made clear, increasing amounts of Variable Energy Resources (VERs) needed to meet the State's renewable goals create additional system needs. In particular, the intermittent nature of these resources will increase the amount of regulation resources needed; impose greater demands on conventional resources in the form of more frequent starts and increased ramping requirements; increase the need for flexible, dispatchable capacity; and increase the need for schedule adjustments to be accommodated closer to real-time.

BAMx supports using this stakeholder process to investigate and evaluate the benefits and costs of market changes to accommodate the above needs. One approach to consider is to change the current real-time market from a 5-minute market to a 15-minute market, and to eliminate the Hour-Ahead Scheduling Process. By making these changes, VERs may be able to submit schedule changes closer to real-time, since fewer markets will need to be processed. Elimination of the HASP would need to be coordinated with adjacent Balancing Authorities to allow for intra-hour intertie schedule changes, but would have the benefit of eliminating the real-time imbalance energy offset uplifts that have become increasingly burdensome.

In conjunction with the above real-time market change, it may be necessary to create incentives for generators to accurately follow ramping schedules and to revise the regulation market similar to changes PJM is considering that were discussed during the stakeholder meeting. The CAISO should investigate how performance incentives can be used to encourage generators to follow ramping and regulation schedules.

Finally, as was discussed during the stakeholder meeting, cost allocation issues must be considered. BAMx supports the concept that cost allocation should follow cost causation. To the extent that the variability and uncertainty associated with particular resources create the need for additional ramping and regulation resources, the costs should be allocated to the resource(s) creating the burden. Doing so will facilitate efficient procurement decisions. The stakeholder process should consider: i. allocating ancillary services costs to resources in proportion to their contribution to the need for such ancillary services, ii. approaches for determining the contribution of individual resources to those costs, iii. whether the variability should be

¹ BAMx comprises the City of Palo Alto Utilities, the City of Santa Clara/Silicon Valley Power, and Alameda Municipal Power.

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determined on an individual resource basis or on a portfolio basis, and iv. how self-provision of ancillary services can be used to offset a market participant's costs. To the extent that the integration of additional VER capacity is causing an increase in costs, such costs should be allocated to such resources. Socializing the costs of integrating additional VER capacity to all loads is contrary to cost causation principles, fails to recognize that some LSEs have renewable portfolios that have a high percentage of controllable output, and sends skewed signals to the market regarding going forward procurement decisions. BAMx supports allocating the costs of integrating VER capacity based on measured performance, rather than allocating forecasted costs in the Generator Interconnection Procedure.

BAMx believes that the goals of the stakeholder process should be to develop market design changes that address the VER needs, send appropriate price signals, simplify the market structure and lower administrative costs. We appreciate the opportunity to submit these comments and look forward to participating in this stakeholder process.