

June 24, 2011

Standard Capacity Product Qualifying Facilities Temporary Waiver Proposal

The California Cogeneration Council (CCC) has reviewed the Joint Proposal by Pacific Gas and Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E), and Southern California Edison Company (SCE) (together the investor owned utilities or IOUs) dated June 9, 2011 and publicly noticed by the California Independent System Operator (CAISO) on June 13, 2011.

The CCC is an ad hoc association of combined heat and power (CHP) qualifying facilities (QFs), directly impacted by the Joint Proposal, and the Standard Capacity II Tariff provisions. The CCC is also a Party to the QF CHP Program Settlement and participated in the development of the new Power Purchase Agreements (PPAs).

The CCC supports the recommendations of the IOUs in the Joint Proposal, specifically,

1. Exempt Scheduling Coordinators (SCs) for Grandfathered and California Public Utilities Commission (CPUC) – extended QF contracts from the forced outage reporting requirements of Section 40.9.5, and
2. Exempt SCs from the non-availability charges and availability incentive payments of Section 40.9.6 for CPUC-extended QF resources.

As the IOUs point out in the Joint Proposal, for the purposes of this issue QF resources can be considered in three categories:

- Grandfathered (QF contracts pre-August 22, 2010)
- CPUC-extended (QF resources on extension agreements post-August 22, 2010, as required by the CPUC until a date at least 120 days after the effective date of the QF CHP Settlement).
- New (QF resources operating under contracts executed post-August 22, 2010, and NOT extensions to legacy PPAs).

The CCC believes the IOUs recommendations seek to clarify that QF resources that are grandfathered or on CPUC-extensions should be exempt from the forced outage requirements, and in parallel these same QF resources should be exempt from non-availability charges and availability incentive payments. We agree with the IOUs that while there are non-binding scheduling requirements applicable to legacy QFs, there is no contractual basis to require Grandfathered and CPUC-extended QF RA resources from the SCP II forced outage reporting requirements. This would require renegotiation and the result would provide de minimus value for the CAISO.

As the IOUs correctly point out, the “New” QFs will be executing PPAs pursuant to the CHP Program Settlement and that these PPAs contain provisions with language that incorporates the CAISO’s SCP II standards of forced outage reporting and non-availability charges and availability incentive payments. The specific provisions include Section 3.22 (Allocation of Availability Incentive Payments and Non-Availability Charges) and Section 3.23 (Seller’s Reporting Requirements), as well as Exhibit R (Outage Schedule Submittal Requirements). These provisions can be found in the four new pro-forma PPAs, including the Transition PPA which most of the QFs on CPUC-extensions will be signing well before the end of this year.

For these reasons the CCC supports the Joint Proposal of the IOUs and recommends that the CAISO adopts the proposed changes to the Tariff.

Respectfully submitted,

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California Cogeneration Council