



February 13, 2012

*Via email*

California Independent System Operator (CAISO)  
dtretheway@caiso.com  
Attn: Virginia Thompson  
250 Outcropping Way  
Folsom, CA 95630

**Re: Comments on Draft Final Proposal Regarding Regulatory Must-Take Generation**

Dear Ms. Thompson:

The Energy Producers and Users Coalition,<sup>1</sup> the Cogeneration Association of California<sup>2</sup> and the California Cogeneration Council<sup>3</sup> (CHP Parties) provide these comments on the Regulatory Must Take Generation (RMTG) Draft Final Proposal issued by the California Independent System Operator (CAISO) on January 30, 2012. The CHP Parties appreciate the CAISO's effort to expedite changes to its tariff in coordination with the CHP Settlement implementation. While the proposal could benefit from a few additional refinements, the CAISO has continued to move the framework in a positive direction; the Draft better balances the need for CHP host load protection with the CAISO's interest in greater dispatchability.

The CAISO increased the clarity of the proposal in its last revision of the proposal. With these clarifications, the CHP Parties generally support the Draft, subject to the following refinements. The final proposal should:

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<sup>1</sup> EPUC is an ad hoc group representing the electric end use and customer generation interests of the following companies: Aera Energy LLC, BP West Coast Products LLC, Chevron U.S.A. Inc., ConocoPhillips Company, ExxonMobil Power and Gas Services Inc., Shell Oil Products US, THUMS Long Beach Company, and Occidental Elk Hills, Inc.

<sup>2</sup> CAC represents the combined heat and power and cogeneration operation interests of the following entities: Coalinga Cogeneration Company, Mid-Set Cogeneration Company, Kern River Cogeneration Company, Sycamore Cogeneration Company, Sargent Canyon Cogeneration Company, Salinas River Cogeneration Company, Midway Sunset Cogeneration Company and Watson Cogeneration Company.

<sup>3</sup> Members of CCC own and operate more than 30 different combined heat and power (CHP) projects in California that collectively generate about 1,300 megawatts (MWs).

1. Clarify that a Scheduling Coordinator (SC) will be obligated to schedule as RMTG the level identified by the CHP, subject to the boundaries established in designating the generator's  $RMT_{max}$ .
2. Recognize that a CHP host load may not be stable and predictable, permitting sufficient flexibility and discretion for the generator in these cases.

While these changes will further improve the proposed protocol, the CHP Parties remain concerned that the success of the CAISO's efforts will rest on continued CAISO involvement to ensure a reasonable tariff interpretation.

**I. THE CAISO SHOULD CLARIFY THAT SCHEDULING COORDINATORS WILL SELF-SCHEDULE RMTG AS SPECIFIED BY THE CHP FACILITY WITHIN APPROVED RMTG LEVELS**

The Draft Final Proposal addresses the interactions between the CHP generator and the SC in daily scheduling. While the Draft appears to require the SC to schedule each day as directed by the CHP generator, within the boundaries of the CHP's  $RMT_{max}$ , the scheduling discussion leaves a hint of uncertainty. Because this will be a critical aspect of the RMTG protocol, the CHP Parties request that the CAISO make the tariff provision crystal clear.

In discussing  $RMT_{max}$ , the CAISO states its expectations about communication between the CHP generator and its SC:

*2) A CHP resource owner communicates with the SC for the resource on an as-needed basis concerning how much capacity must be self-scheduled with RMTG priority up to the  $RMT_{max}$  of the CHP resource. Capacity above the daily RMTG self-schedule can be bid as normal self-schedules or economic bids.*

This language assures a CHP generator that the SC will schedule within the generator's  $RMT_{max}$  as designated by the generator. The assurance rests in the use of the phrase "must be self-scheduled with RMTG priority."

This is consistent with the presentation provided by the CAISO in the last stakeholder call:

*The ISO's proposal that the CHP resource owner identify daily RMT self-schedule requirements as needed, is based on the assumption that the CHP resource owner is in the best position to identify the requirements.*

Additional commentary, however, raises an ambiguity. The CAISO states:

*6) The SC can schedule up to the RMT<sub>max</sub> and will receive RMTG scheduling priority; however, the schedule should not exceed the actual MW quantity necessary to meet actual host thermal requirements for a given hour.*

While subdivision 2) suggests that the SC “must” self-schedule as RMTG the level of capacity specified by the CHP, subdivision 6) suggests only that the SC “can”, or is permitted to, schedule up to the RMT<sub>max</sub>. The statement also does not clarify who makes the determination of hourly requirements. The CHP parties, to harmonize the statement with rest of the discussion, assume that the CAISO meant the following:

*6) The SC can schedule the capacity designated by the CHP as RMT, up to the CHP’s RMT<sub>max</sub>, and will receive RMTG scheduling priority; however, the schedule should not exceed the actual MW quantity necessary to meet actual host thermal requirements for a given hour.*

With these clarifications, the CHP parties support the direction of the RMT<sub>max</sub> determination, subject to review of final tariff language.

## **II. THE FINAL TARIFF PROVISIONS MUST RECOGNIZE THAT NOT ALL HOST LOADS ARE STABLE AND PREDICTABLE**

The misperception that all industrial hosts can accurately predict their hourly host thermal load could lead to undesirable results in this stakeholder process. For example, the CAISO states in its summary of changes:

*...RMT<sub>max</sub> represents the cap on daily scheduling, but that daily scheduling of RMTG should not exceed the actual MW quantity necessary to meet the host’s thermal requirements for any given hour.*

Similarly, a suggestion arose during the last stakeholder conference call that a CHP generator would forecast its host load on an hourly basis *a year in advance*, and the CHP’s self-scheduling in the operating year would be judged against that forecast. Suggestions of such high levels of predictability for all hosts are misplaced.

The final RMTG solution must recognize and leave room for CHP host flexibility and discretion. While the utilities and the CAISO might wish to know well in advance the absolute level of host operations from hour to hour, this is an unreasonable expectation for some CHP generators. Moreover, the CHP parties have growing concerns that the goal of nailing down RMT by the hour could give the utilities latitude to reach into “behind the meter” host operations and gain access to highly sensitive operating information. In fact, the outcome of this process could become a new barrier to CHP development if CHP generators are unable to secure service to their host thermal load without divulging competitively sensitive operating data.

To avoid creating a new barrier to development, the CAISO should apply its judgment in crafting the final proposal with an abundance of caution. The direction for an independent engineer assessment must be realistic, recognizing that the assessment might not have the concrete results of forecast hourly thermal load desired by the CAISO and the utilities. In addition, if the determination of  $RMT_{max}$  falls to an independent engineer, the information gathered and assessed by the engineer must be kept confidential, including preventing disclosure to the interconnected utility and CAISO. If reliance is indeed being placed on the independent engineer, there is no need for the utility or the CAISO to have this information.

Please contact us with any questions or concerns.

Very truly yours,



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