CAISO White Paper
Export of PIRP Energy

FPL Energy Comments
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FPLE appreciates the opportunity to submit comments on the issues surrounding the export of PIRP energy.

First, FPLE is a participant in the PIRP program directly or indirectly representing nearly 200 of the 500 MW of wind generation currently participating in PIRP. Our direct participation is through our own SC, FPPM and our indirect participation is as the generation owner of High Winds, a 162 MW field operated by SC PCMP, PPM Energy. FPLE itself does not currently export PIRP wind.

Before getting to the substance the questions in front of the CAISO, FPLE objects to several statements by and in the CAISO presentation and white papers. Specifically, the documents refer to the PIRP program as a "subsidy." In rulings approving the PIRP, FERC never characterized the program as a subsidy, nor is it correct to do so now. Indeed, the FERC said:

> The Commission agrees that monthly netting of energy balances allows a level playing field without subsidizing Intermittent Resources." (ER02-922, 3/27/2002, emphasis added)

The program was designed to charge wind projects just and reasonable rates that recognize the inherent differences and limitations in the technology. Indeed, the tariff allows an exemption from certain charges –those charges that are allocated in a way to penalize deviations, or alternatively to create incentives for remaining on schedule. The CAISO and the Commission recognized as unjust, allocations of costs which could not be avoided through reasonable efforts. It is these avoided costs as well as any cost differences related to the netting which roll into CT721.

Turning to the substance of the export issues, FPLE recommends that the CAISO establish a threshold level of exports or reallocated dollars that is deemed to be significant and defer action on the "export ban" until that threshold is reached. In particular, the data presented by the CAISO indicate that of the roughly $3 million in reallocated costs, an export ban would have reduced the amount by 3 percent (roughly 15MW /500MW), or $90,000 – an amount long-since exceeded by attorney's fees in this investigation alone. A much higher threshold should be established – one that would be related to the total costs of litigating a tariff revision.

FPLE would prefer mechanisms that allow PIRP exports under reasonable and not unduly restrictive nor discriminatory conditions. As such we offer comments on the Options presented at page 4 of the white paper.

Option 1

This proposal bans exports of PIRP energy. It requires demonstration of a CAISO load serving contract as a condition of participation. FPLE objects to this proposal.

FPLE believes that this policy would reduce generation investment and enhance monopsony power. In particular, FPLE believes that the liquid market envisioned in MRTU designs and the removal of balanced scheduling requirements provides an opportunity to invest in wind generation without load-based off-take agreements.

FPLE has advocated and implemented an investment structure wherein a renewable generator could sell the renewable attributes to one party (potentially, but not necessarily, an LSE) and sell the energy separately (either in CAISO markets or to mid-market counterparties.) A contract demonstration, if applied as in Option 1 would inhibit investment under this model.

In addition, the requirement to demonstrate that a LSE has a contract as a pre-condition to PIRP participation simply elevates buyer market power by giving the buyer the control over whether a generator can qualify for the beneficial aspects of the PIRP.

Option 2

This proposal allows PIRP exports, but proposes to assess a “control area services charge” to wind export schedules. FPLE believes that Option 2 is discriminatory. Since all exports are hourly quantities deemed delivered, they all require control area services in order to ensure that the hourly block is delivered to the receiving control area. Charging wind or PIRP without charging other exports is unjust.

In addition, a detailed and highly controversial study would need to be undertaken in order to establish a just and reasonable “control area services” charge. The cost of such a study alone dwarfs the benefits one would expect by charging exports.

Option 3

Option 3 proposes to change the allocation of CT 721. This proposal seems to assess the reallocated costs to all parties that intrinsically and extrinsically benefit by the introduction of wind to the system and therefore FPLE would not object to this change.

Option 4

Option 4 appears to suggest that CT721 be allocated only to CAISO load. FPLE takes no position on this option.

Option 5

Option 5 offers what FPLE believes is a tariff condition that pre-exists, that wind energy be dynamically scheduled out of the control area. FPLE does not understand the reference to PIRP participation within the context of a dynamic schedule – in which the imbalance service would be provided by the receiving control area, not the CAISO.