

March 1, 2013

**Comments of the Independent Energy Producers Association on the
CAISO's Revised Straw Proposal Regarding
FERC Order 764 Compliance 15-Minute Scheduling and Settlement**

The Independent Energy Producers Association (IEP) appreciates the opportunity to comment on the FERC Order 764 Compliance 15-minute Scheduling and Settlement Revised Straw Proposal, released February 5, 2013, and the workshop convened on February 12, 2013. IEP is generally supportive of moving to a 15-minute market as an opportunity for stakeholders to be engaged at a greater level of granularity in the CAISO markets.

The Grandfathering of PIRP Resources. During the stakeholder meeting convened on February 12th, the CAISO asked stakeholders to comment on the scope for grandfathering PIRP resources, including: what resources should be grandfathered; how long the grandfathering should last; and what elements, if any, of FERC Order 764 should be included.

IEP continues to support the grandfathering of PIRP resources to ensure that generators are protected under the terms of the contracts they originally executed, particularly as it relates to the monthly netting duration. The availability of the monthly netting duration was critical to the terms and conditions of the original commercial transactions; hence, this element needs to remain intact as part of any PIRP grandfathering proposal to ensure contractual obligations and commercial commitments can be met.

Originally, Variable Energy Resources (VERs) were non-financeable due to the uncertainty associated with imbalance energy charges. The PIRP program essentially created a

mechanism for VERs to become financeable and has since been a general framework for contracting around the intermittency associated with certain renewable energy resources.

Elimination of the PIRP program, or fundamental features of the PIRP program including the netting duration, undermines existing contracts and risks abrogation of contracts if certain parties can no longer comply with the requirements of their contracts as a result of the CAISO's actions.

For resources continuing to operate as PIRP resources under the grandfathering protocol, PIRP eligible resources should continue to have the opportunity to participate in the elements of the market available to them today, including the option to participate in Decremental (DEC) bidding. Allowing PIRP resources to participate in DEC bidding is beneficial to the CAISO and the market as a whole with respect to managing supply and should not be eliminated as an option for PIRP resources that are grandfathered going forward.

On the other hand, recognizing that the 15-minute market will enable VERs to participate better in the CAISO markets, IEP is supportive of eliminating entry to the PIRP program on a going forward basis from the date FERC approves this tariff filing. VERs operating under contracts executed after this date should be ineligible for PIRP participation. This approach, which couples grandfathering with the elimination of the availability of PIRP on a going forward basis, allows the commercial transactions premised on the existence of the monthly netting duration to remain viable; creates room for contracts that are awaiting approval to continue the approval process without modification or delay; and provides notice to the marketplace that the PIRP program will no longer be available, except to those that are grandfathered, from a date certain.

Coordination and Collaboration with Regional Initiatives. While IEP is supportive of moving to a 15-minute market, such a move needs to make sense in the context and timing of other ongoing initiatives. For example, when developing the 15-minute market, the potential CAISO/PacifiCorp Memorandum of Understanding (MOU) regarding an Energy Imbalance Market (EIM) should be kept in mind. These two initiatives should be designed to complement, not contradict one another. Furthermore, these efforts should be coordinated and ultimately aligned in terms of the broader goals that the CAISO is attempting to achieve. In the absence of knowing more about the design/implications of a potential energy imbalance market, IEP welcomes open communication and coordination between these two distinct initiatives.

In conclusion, IEP supports grandfathering of existing resources operating under the PIRP program for the duration of their existing contracts; enabling executed commercial transactions to move forward without having eligibility to participate in the PIRP program, a foundation of the commercial arrangements, withdrawn. IEP supports elimination of entrance to the PIRP program on a going forward basis from the time FERC approves this tariff change(s). In addition, IEP is generally supportive of moving to a 15-minute market to the extent that it is coordinated and makes sense in terms of other ongoing initiatives.

Respectfully Submitted,



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