

INDEPENDENT ENERGY PRODUCERS

February 26, 2010

To: CAISO Staff

**Re: Interconnection Standards Review for Renewable Integration – Stakeholder
Presentation February 19, 2010**

General Comments

IEP appreciates the opportunity to comment on the CAISO Staff Presentation, “Interconnection Standards Review for Renewable Integration” (February 19, 2010). Presently, the CAISO proposes to circulate a proposal in the end of March/early April timeframe, seek CAISO Board Approval in May 2010, and submit tariff language for FERC’s consideration by June 2010. This appears to be a very aggressive schedule and, in light of the circumstances discussed below, IEP recommends that the CAISO adopt a longer time for a more reasoned, considered review by stakeholders and the CAISO Board. Without taking a position at this point on the interconnection standards per se, as these are not yet available, the CAISO presentation raises a number of factors and policy implications that need to be factored into the development of any new interconnection standards for renewable integration.

Most notably, the FERC recently issued a Notice of Investigation (NOI) (January 21, 2010) which indicates that the FERC is taking a “fresh look at regulatory policies to integrate the rapidly increasing number of variable energy resources into the nation’s power grid in the most efficient and non-discriminatory manner while maintaining power system reliability.”¹ The FERC investigation seeks to identify the extent to which barriers exist that may impede the reliable and efficient integration of variable energy resources (VERs) into the electric grid and whether reforms are needed to eliminate those barriers.”² Specifically, the Commission seeks to explore whether existing rules, tariffs, or industry practices ... may hinder the reliable and efficient integration of VERs, resulting in rates that are unjust and unreasonable and/or terms of service that unduly discriminate against certain types of resources.³

Given this new FERC NOI, IEP recommends the CAISO pause its own proceeding and await further discussion and investigation by the FERC on the barriers to integration of renewables. It would be unhelpful if the CAISO was in the process of changing its own tariff at the precise time stakeholders were being asked to address these very issues before the FERC. At a minimum, the “paralleling” of these two processes would foster a great deal of market uncertainty and potentially undermine crucial investment in renewable resources. This uncertainty would only be exacerbated if the CAISO were to modify its tariff today and then,

¹ Federal Energy Regulatory Commission, Docket No. RM10-11-0000, News Release, January 21, 2010.

² Federal Energy Regulatory Commission, Notice of Inquiry, Docket No. RM10-11-000, p. 1.

³ Ibid, p. 3.

subsequent to a FERC determination, initiate yet another process to further amend its tariff to make it consistent with the outcome of the FERC investigation.

Secondly, IEP notes that the CAISO is presently working on an Integration Study that focuses in whole or part on renewables and the attainment of the California RPS. This study is not complete; thus, it has not been reviewed and vetted by neither stakeholders nor the various California agencies with authorities to design and implement programs to realize the California RPS. This too counsels for the CAISO, at a minimum, awaiting completion of this technical study prior to proceeding with the development of new interconnection standards that may undermine renewable development.

Third, a large question looms as to why the CAISO seeks to fast-track the development and implementation of new interconnection standards for renewables. As a practical matter, new renewables are being developed at such a slow pace within the CAISO balancing authority that IEP would be wholly surprised if any new development actually posed a reliability concern to the CAISO prior to 2013-2015 *at the earliest*. The most recent CPUC “Renewables Portfolio Standard Quarterly Report, Q1 2010, indicates that in 2009 only 357 MWs of new renewable capacity was added to the grid and only 254 MW of this total was located in-state.⁴ It is doubtful whether the 254 MWs of new in-state renewable capacity falls wholly within the CAISO service territory. Indeed, since 2003, only 1049 MWs of new renewables have been added to the overall statewide grid across multiple balancing authorities. On average, only 150 MWs of new renewable capacity have become operational since inception of the California RPS. Over the past three years, the average is only 274 MWs. At this pace of in-state renewable development, it is doubtful that unmanageable reliability risks loom on the horizon.

While not necessarily opposed to considering new interconnection standards for renewable integration, IEP notes that the evidence suggests that (a) rushing into any changes on interconnection standards for renewables is not necessary nor warranted by “the facts on the ground,” and (b) making any such changes, particularly in light of the FERC investigation, may have destabilizing impacts from a renewable development and investment perspective.

Specific Comments related to Presentation Released January 19, 2010

The CAISO presentation presents a number of critical, operational issues that require further review and discussion. These include the following: (a) the benefit/costs associated with imposing “control packages” on renewable resources, particularly intermittent resources; (b) the appropriate “power factor” to apply that does not unnecessarily undermine renewable development and investment, nor undermine attainment of various state RPS and GHG policy goals; (c) the appropriate voltage frequency ride-thru capability and the cost/benefit of that; (d) and various other power quality standards that may/may not be appropriate for renewable resources in general and intermittent resources specifically.

In addition to the above observations, IEP offers the following comments on specific aspects of the CAISO Presentation of January 19, 2010.

⁴ CPUC, Renewables Portfolio Standard, Quarterly Report, Q1 2010, p. 3.

1. Retroactive Treatment:

The CAISO presentation raises the issue of retroactively enforcing any new interconnection requirements on new generators that are under construction or have signed LGIAs.⁵ As a matter of policy, IEP has strong concerns about the retroactive application of policy, including the CAISO Tariff. Retroactivity policymaking, just like retroactive ratemaking, undermines regulatory/tariff certainty and, accordingly, undermines investment in needed infrastructure. Here again, absent some compelling reason for retroactive treatment, which does not appear to be the case here, IEP recommends against this approach.

2. Product-based Markets vs. Mandates

The CAISO Presentation suggests that the preferred characteristics of variable generation resources, i.e. the renewables, include an ability to (a) respond to dispatch commands, (b) has potential to supply regulation, (c) can provide frequency regulation (perhaps linked to storage), (d) had ramp rate control mechanisms, and (e) has voltage and frequency ride-through capabilities.⁶

As a general observation, the CAISO's stated preferences related to the characteristics of variable generation may have the affect of dramatically changing the means by which the CAISO procures needed resources. Historically, to the extent that the CAISO sought additional products from the marketplace, the CAISO prescribed the products it needed, integrated their acquisition into the tariff and purchased those products in the most competitive, cost effective manner possible. This provided consumer and market benefits. Here, however, the CAISO appears to be moving away from a market-based approach to securing necessary reliability tools/products, and proposing to mandate their functionality on each and every generator irrespective of the direct costs to the generator or its cost-effectiveness from a consumer perspective.

3. Reliability Concerns neither Immediate nor Transparent

As noted above, the CAISO's concerns regarding the extent to which new renewable development will undermine overall grid reliability seems premature given the progress to date of interconnecting new renewable capacity within the CAISO service territory. Furthermore, the CAISO is studying the integration impacts of a 33% RPS standard, as are the state energy agencies with authorities over such matters (e.g. the CPUC, CEC, and CARB). IEP recommends that the CAISO, at a minimum, await the release and review of these integration studies before moving forward. This approach will ensure that the CAISO and the state energy agencies will be aligned on the level of concern as well as the potential need for solution(s).

4. Proposal for Study-Group Must Be Inclusive



The CAISO Presentation indicates an interest in forming a Study Group to engage this initiative of reviewing the interconnection standards. The CAISO proposes a Study Group comprised of staff from the PTOs, neighboring Balancing Authorities, and other technical experts. IEP recommends that this Study Group, if convened, explicitly include representatives of the renewable industry, particularly from the intermittent resources, so as to ensure balanced review and consideration of all the issues. While the CAISO proposes to co-ordinate this Study Group with the NERC and WECC variable generation task forces, it is equally important that variable generation interests are represented directly in the CAISO Study Group and not be relegated to a coordination role via the NERC/WECC task forces.

⁵ Interconnection Standards Review for Renewable Integration . CAISO Presentation, Slide 13

⁶ Ibid, Slide 5.

IEP appreciates the opportunity to participate in the consideration of the review of the interconnection standards for intermittent resources. We look forward to further work on this matter.

Respectfully Submitted,

	
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