



Iberdrola Renewables appreciates the opportunity to submit the following comments on the allocation of integration costs section of the CAISO's April 5, 2011 Discussion and Scoping Paper on Renewable Integration Phase 2. Iberdrola Renewables is a member of the Independent Energy Producers Associations (IEP) and the Center for Energy Efficiency and Renewable Technologies (CCERT) and supports the comments submitted by these organizations in this initiative.

Allocation of Integration Costs

The state of California now has the most aggressive Renewable Portfolio Standard in the nation. In order to meet this standard, the CAISO must implement a market structure that ensures a level playing field for renewable resources and that will not create barriers to their continued development.

Procurement of products and services to reliably integrate all resources into the CAISO are made on behalf of the load, and the costs incurred for integration should be allocated accordingly. The CAISO's existing ancillary services are allocated to the load on a cost-causation basis. Iberdrola Renewables sees no reason to deviate from this approach when implementing new ancillary services to support the reliability of the CAISO system.

Some stakeholders have voiced support for direct allocation of integration costs to VERs, arguing load will ultimately pay these costs under long-term Power Purchase Agreements ("PPAs"). While it is true PPAs can be structured such that ancillary services are paid by the customer, existing long-term contracts may not contain provisions to allow for the pass-through of new integration charges. In addition, renewable resources that are operating on a merchant basis have no mechanism for which to pass integration costs to the load.

Integration costs for VER Imports

Dynamic transfers enable a resource outside of a Balancing Authority to take on characteristics of a resource internal to the Balancing Authority. If the CAISO is bearing the costs of the ancillary services associated with dynamic transfer of renewable resources outside of California into the CAISO, these resources should be treated consistent with all other resources within the CAISO.

Support for the Independent Energy Producers Association (IEP) and the Center for Energy Efficiency and Renewable Technologies (CCERT) Comments

Iberdrola Renewables is a member of the Independent Energy Producers Associations (IEP) and the Center for Energy Efficiency and Renewable Technologies (CCERT) and supports the comments submitted by these organizations in this initiative.