

**Comments of Metropolitan Water District of Southern California (Metropolitan)
October 22, 2009 Market Notice:
“Eligible Intermittent Resource (EIR) Draft Tariff Modifications”**

October 29, 2009

The CAISO’s proposed revisions to Section 9.3.10 (Forced Outages) of its Tariff, associated definitions in Appendix A, and Appendix Q (Eligible Intermittent Resources Protocol) would impose significant, unnecessary regulatory obligations on small conduit hydroelectric facilities, which are included in the definition for Eligible Intermittent Resources (EIR) together with wind and solar intermittent resources. The focus of stakeholder meetings has only been on wind and solar, and the CAISO has ignored MWD’s comments provided in May 2009. MWD requests that the CAISO either revise the definition of “Eligible Intermittent Resource” to exclude small conduit hydroelectric facilities or specifically exclude small conduit hydroelectric facilities from the new regulatory obligations in Section 9.3.10 and Appendix Q.

Background

EIR was defined in order to identify resources that could participate in the PIRP. Because participation in the PIRP was voluntary and the details of the PIRP were not completed until later, MWD did not originally object to including small conduit hydroelectric facilities as EIRs. In exchange for complying with a host of regulatory requirements, articulated in Appendix Q (equipment installation, payment of forecast fees, etc.), PIRP participants receive several benefits. As detailed in the ISO’s March 13, 2009 Issue Paper on PIRP, these benefits include exemption from, among others, Imbalance Energy charges for deviations across ten-minute Settlement Intervals. There is thus a trade-off for participation in PIRP—increased compliance requirements and costs in exchange for special treatment not afforded to, or necessary for, less intermittent resources.

Metropolitan owns and operates small conduit hydroelectric power plants with a total capacity of over 100 MW. These facilities meet the existing definition of Eligible Intermittent Resources. Metropolitan has chosen not to participate in the PIRP because its hydroelectric resources are differently situated from wind or solar resources. Metropolitan’s generation is driven by predictable water deliveries and does not need the forecasting services that wind and solar resources require for variable and uncontrollable weather conditions.

Comments

In the last three years, the ISO has released numerous white papers and technical studies and solicited numerous stakeholder comments on its PIRP program. *All* of those papers, studies, and comments have focused on the integration of wind and solar generation resources. In its April 17, 2009 Issue Paper “Potential Modifications to Outage Reporting and Other Requirements of EIRP,” the CAISO, justified an expansion of outage reporting requirements for EIRs less than 10MW by stating “the absence of any obligation to report Forced Outages of less than 10 MW may lead to significant errors in forecasting for EIRs.” This was premised on the assumption that all EIRs require the use of forecast service providers (FSP) to provide accurate energy forecasts. While FSPs have been used for wind resources, small conduit hydro resources do not require such services. Small conduit hydro operators know when water will be delivered and can accurately forecast the output of a hydro facility using the flows and generator specifications. Because water deliveries are predictable in

advance of the day-ahead energy markets, schedules from small conduit hydro facilities will not have the “forecasting errors” that wind and solar facilities have due to uncontrollable weather. Comments submitted by Metropolitan’s Ernest Hahn in May 2009, addressing these issues, were not posted or addressed in the present proposal. These comments are attached.

Prior to the CAISO’s proposed Tariff modifications, the existing definition of EIR, which includes intermittent wind, solar, and small conduit hydroelectric resources, was included only in provisions of the Tariff and associated Business Practice Manuals (BPMs) pertaining to the *voluntary* PIRP program. With the proposed revisions to Sections 9.3.10.2 and 9.3.10.3.1, however, all EIRs are subject to ISO reporting requirements. Worse yet, with the revision of Appendix Q to cover, in most cases, both Participating Intermittent Resources and EIRs, Metropolitan would now be required to install equipment (Section 2.2.3), pay forecast fees (Section 2.4.1), pay costs associated with communications equipment (Section 3.3), and install data collection equipment (Section 6). Metropolitan does not believe it is appropriate for the CAISO to impose such wide-ranging regulatory obligations without responding to all stakeholder input.

Given the nature of small conduit hydroelectric facilities and the CAISO’s failure to establish that they carry the same “reliability risks” or “forecasting errors” as wind and solar resources, the ISO should either (1) revise its definition of “Eligible Intermittent Resource” to exclude “hydroelectric potential” (category 3) or (2) modify draft Sections 9.3.10.3 and 9.3.10.3.1 and the relevant provisions of Appendix Q to explicitly exclude small conduit hydroelectric facilities from the proposed mandatory requirements.

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From: Hahn, Ernest M
Sent: Wednesday, May 06, 2009 8:00 AM
To: JBlatchford@caiso.com
Subject: EIRP Issue Paper

Jim,

MWD apologizes for these late comments on CAISO's issue paper regarding potential requirements for its Eligible Intermittent Resources Protocol (EIRP), as updated in April. We just became aware of it and wish to bring several issues to your attention.

Eligible Intermittent Resources as defined in the CAISO Tariff include (1) wind, 2) solar and (3) hydroelectric potential derived from small conduit water distribution facilities that do not have storage capability. MWD owns and operates over 100 MW of small conduit hydroelectric power plants that meet the definition of Eligible Intermittent Resources. The white paper suggests that the CAISO will require all EIR resources to comply with new equipment installation and data communication requirements to improve forecasting data for CAISO use. However, as I'm sure you're aware, our small conduit hydroelectric generation is determined by our internal water distribution system deliveries, and is completely independent of and unaffected by the variable and uncontrollable weather conditions that makes forecasting intermittent wind and solar generation so challenging.

Accordingly, please modify the CAISO proposal to either make it solely applicable to wind and solar EIR facilities, or amend the EIR definition to exclude the third category of hydroelectric facilities. After a search of the CAISO Tariff and Market Operations BPM, we have been unable to locate any reference to EIR that wasn't limited to the Participating Intermittent Resources Program (PIRP). Metropolitan has declined to participate in the PIRP since the forecasting data thereby obtained has no relationship to our generation and we wouldn't obtain the benefit from the PIRP's use of monthly deviation accounting. MWD shouldn't suffer the burden of mandatory and costly installation of forecasting equipment for no benefits. In addition, we believe the CAISO should undertake some cost-benefit analysis before imposing mandatory forced outage reporting for EIRs of one MW or more. Implementation of the CAISO proposal without this analysis may result in relatively costly requirements imposed on entities with few, if any, macro benefits.

Thank you for consideration of these comments. If you have any questions regarding my comments, please contact me at 213-217-7185.

Ernest Hahn,
Metropolitan Water District of Southern California (MWD)