Pacific Gas and Electric Company

Pacific Gas and Electric's Comments on Standard Capacity Product Temporary Waiver

Submitted by			Date Submitted
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Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the stakeholder process for the CAISO's Standard Capacity Product (SCP) Temporary Waiver Initiative.

<u>Background</u>

In its August 20, 2010 order, the Federal Energy Regulatory Commission (FERC) accepted tariff revisions proposed by the CAISO which, in part, extended its Standard Capacity Product forced outage reporting provisions to Qualifying Facilities (QFs).[1]

However, the contracts that PG&E has executed with its existing QFs[2] and for which it serves as Scheduling Coordinator (SC) do not require these resources to provide forced outage information that will comply with the CAISO tariff in regards to quality, uniformity and timeliness.

As a result, PG&E filed a request with FERC on December 31, 2010 asking for a temporary waiver from SCP forced outage reporting requirements for the QF resources for which it is the SC until the completion of a CAISO stakeholder process designated to further address this issue. In response, the CAISO filed a Motion to Intervene on January 24, 2011 stating that it would support a temporary waiver only for "grandfathered" QF resources but not for "non-grandfathered" resources.[3]

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[1] *Order Accepting Tariff Revisions Subject to a Compliance Filing* 132 FERC ¶ 61,148, 2010.

[2] PG&E has a total of 288 Regulatory Must Take QFs under contract as of August 22, 2010. However, only 177 of the 288 have a nameplate capacity equal to or greater than 1 MW. Resources less than 1 MW are not required to report outages to the CAISO per CAISO Tariff Section 40.9.2. A further breakdown is provided below.

	1-10 MW Nameplate Cap.	> 10 MW Nameplate Cap.
Regulatory Must Take QFs	77 Resources (total of 318 MW)	100 Resources (total of 3,848MW)

[3] Per the SCP II order, all QFs that signed Resource Adequacy contracts before August 22, 2010 are grandfathered and therefore exempt from the SCP availability standard. However, grandfathered QFs are

PG&E's understanding is that, while not explicitly stated, the CAISO uses the term "non-grandfathered QF resource" when referring to a QF resource whose contract was signed before the grandfathering date of August 22, 2010, has expired, and been extended by the California Public Utilities Commission (CPUC) until 120 days after FERC's approval of the QF Settlement.[4]

As described in our comments below, the CAISO's distinction between "grandfathered" and "non-grandfathered" QF resources is unwarranted and will needlessly result in PG&E falling out of compliance with the CAISO tariff. [5]

<u>Comments</u>

In this proceeding, PG&E expects the CAISO to file with FERC a temporary waiver from forced outage reporting requirements for grandfathered contracts QFs by January 31, 2011. PG&E requests the waiver apply to all existing QF contracts (not only grandfathered QF contracts) signed before August 22, 2010, including those contracts that have been extended by the CPUC.

PG&E proposes that, pending CPUC action on the proposed QF settlement, these short-term extensions of existing QF Power Purchase Agreements be exempted from SCP reporting requirement for the following reasons:

- These contract extensions are mandated by the CPUC so that expiring QFs can be given an opportunity to transition into new contracts resulting from the settlement.[6]

- Existing QF contracts are extended as they expire under short-term extensions that do not change the other terms and conditions of the contracts, including outage reporting; the contracts will still not have provisions allowing the SC to provide the forced outage information to the CAISO.

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still required to report forced outages so the data can be used to calculate the monthly availability standards.

[4] The QF Settlement, which was negotiated by independent energy producers representing combined heat and power (CHP) QFs, California's investor-owned utilities (PG&E, Southern California Edison Company, and San Diego Gas & Electric Company), and ratepayer/consumer advocate groups, is intended to resolve existing disputes and address future issues associated with CHP. After the QF Settlement becomes effective, there will be four new PPAs that will be used for future combined heat and power and QF purchases.

[5] Assuming no waiver for QFs contracts with short-term extensions and FERC approval of the QF Settlement by June 1, 2011, PG&E will not be able to report forced outages in accordance with the CAISO tariff for 30 QF resources with a capacity of 820 MW.

[6] QF contracts that have expired have been extended as required by CPUC decisions, and PG&E anticipates that this will continue as required by the CPUC in D.07-09-040.

- This is a short-term issue because these contracts will permanently expire 120 days after FERC approval of the QF Settlement.[7]

Conclusion

PG&E requests that the CAISO support a temporary waiver for all QF contracts, rather than dissecting them into sub-groups, pending the outcome of the to-be-initiated stakeholder process to determine the extent of any more permanent exemptions.

[7] Any new QF resource or one with an expiring contract will need to execute one of the new QF contracts available as part of the QF Settlement. The new QF contracts give PG&E the right to collect forced outage data to comply with CAISO tariff provisions for resource adequacy purposes. (See Section 3.02 of all new PPAs).