



# California Wind Energy Association

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May 13, 2013

Chair Robert Foster  
Governor Ashutosh Bhagwat  
Governor Angelina Galiteva  
Governor Richard Maullin  
Governor David Olsen  
California Independent System Operator  
Folsom, California  
*Via email to Stacey Karpinen (SKarpinen@caiso.com)*

**RE: FERC Order No. 764 Market Design Changes**

Dear Chair Foster and Governors Bhagwat, Galiteva, Maullin, and Olsen:

This Wednesday, May 15, CAISO management will present to the Board its FERC Order 764 market design changes for approval. The proposal fundamentally revamps the CAISO market structure to enable CAISO to effectively integrate the increasing volume of variable energy resources within its footprint and to better interface with neighboring balancing areas.

Generally, CalWEA strongly endorses these proposed market reforms. By reflecting the natural capabilities of renewable energy resources, these reforms will greatly enhance the efficiency of the market overall, thus lowering costs to CAISO customers while increasing fairness to variable energy resources. We congratulate CAISO management for the important shift in thinking that these reforms represent, under guidance from the current Board – from a mindset just two years ago that would simply penalize renewables for not performing like traditional resources, to one that recognizes the fundamental shift in generation resources that is occurring in response to the state’s environmental and clean-energy goals.

One element of the proposal, however, forces more abrupt change than is necessary with little regard to the capabilities of many market participants to adapt. Hence, CalWEA requests that the Board approve CAISO’s proposal subject to relatively minor, but – for some generators – very important, modifications relating to the existing Participating Intermittent Resources Program (PIRP).

The proposed FERC Order 764 market reforms make the CAISO’s highly sophisticated market even more complex and computationally resource intensive, a necessary change that we understand and embrace. However, many existing variable energy resources, whose output has been treated

effectively as a negative load up to now, lack the necessary capability to deal with such a complex market and/or may be contractually prohibited from responding, or constrained in their ability to respond, to market signals. Requiring all renewable resources, regardless of their circumstances, to “sink or swim” on Day One of the new CAISO market as proposed by the CAISO management is utterly unfair and counterproductive. Indeed, it is these types of circumstances that have routinely warranted “grandfathering” treatment and transition periods in many other instances of market change approved by FERC.

We therefore request that the Board adopt the FERC Order 764 market design proposal subject to management modifications as follows:

- Allow any existing variable renewable resource, upon request, to utilize the PIRP monthly netting feature for one year after the implementation of the Order 764 reforms to enable it to develop and/or acquire the technologies and knowledge necessary to effectively participate in the new market.
- Allow grandfathering of variable energy resources’ PIRP monthly imbalance netting for all deviations where:
  - The cost of interfacing with the new market vs. small-project revenues is unduly burdensome. 20 MW has become a standard industry demarcation point between large and small generating projects.
  - Older technology does not have the capabilities required to efficiently and effectively participate in the new market (e.g., wind turbines cannot be automatically controlled). Most such capacity is expected to be repowered during the 2013-2020 timeframe but, until then, the inability to effectively participate in the CAISO market will be stark.
  - A variable energy resource under an existing power purchase contract that will be subject to re-opening by the power purchaser or face increased financial burdens as a result of the elimination of the PIRP monthly imbalance netting, or where existing contractual provisions prevent it from responding to market signals.

The total capacity of resources that would be eligible for grandfathering under these circumstances would be a moderate fraction of the total volume of variable energy resources that will be in the CAISO market in 2020.

To its credit, after many requests for the above limited modifications, CAISO management has added a provision in its market reform proposal under which it will consider protecting some existing variable energy resources that it deems to be incapable of participating in the reformed market. However, this provision is both too narrow in scope and too vague to offer much protection. We understand management’s reason for this very limited scope of relief to be its unwillingness to modify its settlement software to accommodate the PIRP monthly netting feature, however, the capability for PIRP monthly imbalance netting already resides in the CAISO settlement software and we believe it can be adapted to the new market.

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In conclusion, we reiterate CalWEA's full support CAISO's proposed FERC Order 764 market reforms. We seek only reasonable and limited protection for those variable energy resources that will be adversely impacted by the abrupt removal of the PIRP monthly imbalance netting feature.

Sincerely,

A handwritten signature in black ink, appearing to read "Nancy Rader". The signature is fluid and cursive, with a large initial "N" and a long, sweeping tail.

Nancy Rader  
Executive Director

cc: Stephen Berberich, President and Chief Executive Officer  
Keith Casey, Vice President, Market and Infrastructure Development  
Karen Edson, Vice President, Policy and Client Services