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VIA EMAILTO: Order764@caiso.comRE: Comments on CAISO's FERC Order No. 764 Market Changes
Presentation and Straw Proposal

The Renewable Northwest Project ("RNP") is a not-for-profit coalition of renewable energy companies, related businesses, non-profit environmental organizations, academic institutions and consumer advocates. As an advocate for sound policy on renewable energy development and integration, RNP was very pleased to participate in CAISO's October 30, 2012 meeting on FERC Order No. 764 Compliance. We submit the following comments in response to the presentation made at that meeting and CAISO's accompanying FERC Order No. 764 Market Changes Straw Proposal (the "Straw Proposal").

In general, RNP is supportive of the direction that CAISO is taking for Order 764 compliance and is pleased to see a mid-2014 target implementation date for the 15-minute energy scheduling capability.

As a stakeholder in many of the Variable Energy Resource ("VER") forums in the Northwest, RNP's primary goal in participating in CAISO's Order 764 compliance process is ensuring that VERs generating in the Northwest and serving load in the CAISO can be scheduled on a more efficient and reliable 15-minute basis. Order 764 specifically calls attention to the importance of implementing 15-minute scheduling over interties.

RNP coordinates with many Northwest and California utilities on VER integration issues and rates in the Northwest, including on the policies and rates set by the Bonneville Power Administration ("BPA"). The biennial rate case to set BPA's power, transmission and Variable Energy Resource Balancing Service ("VERBS") rates officially started on November 8, 2012. In this rate case, BPA will determine the rates it charges for balancing the "within scheduling period" variability of VERs. BPA's current base rate for this service is roughly \$5.30/MWh. BPA also currently offers a 34% discount for wind plants that schedule on a 30-minute (as opposed to hourly) basis. BPA is currently exploring the feasibility of offering a 15-minute scheduling option.

Consistent with the current incentive rate for 30-minute scheduling, if BPA and the CAISO establish compatible 15-minute scheduling policies over the Southern Intertie, BPA could provide a sizable rate incentive for wind projects that commit to such scheduling practices. If all of the wind scheduled from the Northwest to California were scheduled on a 15-minute basis, RNP estimates that California consumers would decrease their exposure to BPA's VERBS rate for wind resources by approximately \$15 million per year. This is a significant savings that should be passed through to California ratepayers.

In order to achieve these savings, CAISO should consider the following details when designing and implementing its approach to complying with Order No. 764:

1. Scheduling Window: We are currently unclear as to how far in advance the proposal would require VERs to submit their 15-minute energy schedules. The Straw Proposal states that “tagging energy schedules for the 15-minute markets requires that the ISO begin the market optimization 37.5 minutes prior to the binding interval so that awards can be made at 22.5 minutes prior.” Does this mean that VERs can use a 37.5-minute or a 22.5-minute “persistence-based forecast” to set their schedule? The key to maximizing savings on BPA’s VERBS charge is how close to real-time flow the VER generator can develop a persistence forecast and associated schedule based on what the resource is actually generating at that time. The closer to real-time flow the schedule is developed and submitted, the more accurate the schedule will be. This improved scheduling accuracy decreases the amount of balancing reserves BPA must hold to balance wind and other VERs and in turn, allows BPA to decrease the rate.
2. Commitment to a Scheduling Paradigm: BPA’s incentive rates for 30-minute scheduling, and presumably any 15-minute scheduling rate, are based on the requirement that the VER generator make a commitment to schedule at a stated level of accuracy (e.g., 30 or 22.5 minutes) for every scheduling period of the year. This commitment is important for BPA to be able to make the decision to hold less balancing reserves. CAISO’s approach should strive to allow customers scheduling VERs from the Northwest to be able to fulfill this commitment requirement.¹
3. Transmission Reservation: Our current understanding of the CAISO proposal is that it would still require customers to reserve transmission rights 75 minutes prior to flow and that the energy schedule would be allowed to fluctuate on a 15-minute basis up to whatever maximum transmission reservation was made, but not in excess of the transmission reservation. We are concerned that this aspect of CAISO’s proposal would lead to the over-reservation of scarce inertia capacity. We are aware that when a non-dynamic inertia transaction does not fully utilize its hourly transmission reservation in the 15-minute market, the capacity would be made available for other inertia transactions. However, it is our understanding that the released transmission capacity would only be available to other resources in the financially binding interval and would not be guaranteed to other resources for future advisory intervals. It is unclear to us whether this fully addresses the issue of underutilized inertia capacity or not. We highlight this issue because of the importance of efficiently moving cost-effective power over the inertia.

We are happy to answer any questions you may have on these comments. We look forward to continued dialogue and coordination with CAISO in order to facilitate more efficient, cost-effective, and reliable integration of VERs.

Thank you for the opportunity to comment,

/s/ Cameron Yourkowski
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¹ As an example, the commitment requirements for BPA’s 30-minute scheduling option can be found here: http://transmission.bpa.gov/ts_business_practices/Content/PDF_files/Individual_BPs/Committed_IntraHour_Sch.pdf.