

Stakeholder Comments

Regulatory Must-Take Generation – Revised Straw Proposal

Submitted by	Company	Date Submitted
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SCE appreciates this opportunity to provide comments on the January 10, 2012, CAISO Revised Straw Proposal (“Straw Proposal”) regarding Regulatory Must-Take Generation (“RMT”). As the CAISO indicates in the Straw Proposal, given recent developments in the California energy market, including, but not limited to, the recent effective date of the QF/CHP Settlement, now is an appropriate time for the CAISO and its stakeholders to reassess the definition and policies surrounding Regulatory Must-Take Generation.

SCE generally supports the proposed revisions to the definition of “Regulatory Must-Take Generation” set forth in the Straw Proposal. SCE emphasizes, as does the CAISO in the Straw Proposal, that

“the special treatment of must-take generation should be focused on the truly non-dispatchable portion of a facility’s output and that a facility for which a portion of its generation is dispatchable should be encouraged to submit economic bids (or self-schedules) for that portion of the generation in the IOU’s markets and not have that portion of generation capacity be subject to a blanket must-take requirement.”¹

To this end, SCE provides the following specific comments on the Straw Proposal:

First, on the January 17, 2012, conference call regarding the Straw Proposal, the CAISO asked stakeholders whether category (2) in the proposed Regulatory Must-Take Generation should remain as currently defined in the Straw Proposal,² or if this category should be expanded to include all Generating Units “that produce electric energy and forms of useful thermal energy used by an industrial or commercial host for industrial, commercial, heating or cooling purposes?”³ The CAISO should retain the existing

¹ Straw Proposal at 10.

² The current category (2) in the definition of Regulatory Must-Take Generation is “Generation up to the RMTmax of the Generating Unit delivered from a Generating Unit that meets the minimum operating and efficiency requirements set forth in the Code of Federal Regulations, Title 18, Part 292.205 for a qualifying cogeneration facility.” Id.

³ Regulatory Must-Take Generation Revised Straw Proposal, CAISO PowerPoint Presentation, at Page 7.

definition language for category (2) that ties the RMT status with compliance with the applicable federal regulations pertaining to qualifying cogeneration facilities. This language is consistent with historical application of RMT status and with the proposed revisions to the definition to account for the QF/CHP Settlement terms. The CAISO should reject any proposals to expand the definition of category (2) RMT that would apply RMT status to generation tied to processes not associated with the specific requirements applicable to “qualifying cogeneration facilities.”

Second, SCE emphasizes that the CAISO should confirm that there are operational rules and practices in place to actually effectuate the concept that RMTmax should focus on the “truly non-dispatchable portion of a facility’s output.” In keeping with this concept, SCE has the following specific comments and questions:

SCE agrees that “RMTmax must be reestablished at least annually but may be reestablished as often as quarterly,”⁴ but comments that more frequent re-establishment of the RMTmax should not depend on agreement between the CHP resource owner and the IOU, but rather upon the request of the IOU serving as Scheduling Coordinator (“SC”) for the CHP resource. From a practical standpoint, it may take weeks if not months to obtain agreement between the CHP resource owner and the IOU simply to decide whether to re-set the RMTmax in the first place. This potential for delay could interfere with quarterly re-sets of the RMTmax. Moreover, under the CAISO’s proposed tariff revisions, the CHP resource owner and IOU Scheduling Coordinator would also have to agree with the new RMTmax level, and potential disagreements over that number could add further delay. In SCE’s view, it would be more practical and expedient for the IOU to make the request to re-set RMTmax – as frequently as quarterly – and then rely on the proposed tariff language to resolve any disagreement between the CHP resource and the IOU Scheduling Coordinator as to what the new RMTmax should be.

SCE also asks that the CAISO confirm that, based on the daily communications from the CHP resources, the IOU Scheduling Coordinators will have the ability to bid capacity above the daily RMTG self-schedule as normal self-schedules or economic bids. SCE supports this approach as it will provide needed scheduling flexibility for Scheduling Coordinators. However, SCE is concerned that this approach is not necessarily consistent with the Straw Proposal’s definition of RMTmax. For instance, if “RMTmax is the maximum amount of capacity of a CHP resource eligible for RMTG scheduling priority,”⁵ then what should the “daily RMTmax” provided by the CHP resource be called?

Also, while the Straw Proposal indicates that IOU SCs will be able to bid capacity above the daily RMTG self-schedule as normal self-schedules or economic bids, this appears to be somewhat inconsistent with the proposed tariff language that Regulatory Must-Take Resources “will be scheduled by the [SC] directly with the CAISO on a must-take basis,” and this would include generation “up to the RMTmax” for certain CHP resources. Again, the concept of a “daily RMTmax” and the “RMTmax” appear to be

⁴ Straw Proposal at 11.

⁵ Id.

somewhat in tension, and the CAISO should clarify its intent in the next draft of the proposal.