

## **Regulatory Must Take Generation Final Straw Proposal, dated January 30, 2012**

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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*Wellhead appreciates the CAISO pushing this initiative which will make changes needed to facilitate and encourage CHP facilities that can provide generation services to the electrical grid while also meeting business-critical service requirements of non-utility third parties.*

*CHP facilities are an important part of the electric supply system in California. They provide significant business, economic, efficiency and environmental benefits as recognized in legislation, regulations and public policies while providing reliable supplies of electric generation. The proposed changes to the treatment of Regulatory Must Take (RMT) generation under the Tariff correctly recognizes 1) there are times when a CHP facility must operate with a particular generation output in order to meet the business requirements of its non-generation business partner and 2) the Tariff must not discourage or prevent market participation by CHP projects that have operating flexibility to provide generation services needed by the CAISO.*

### **Eligibility for Treatment as RMT Generation**

*The final proposal is right on track – the need for RMT treatment is a result of the CHP facility having a business obligation to provide certain services to its non-utility thermal and/or power off-taker (a CHP Partner). The proposed eligibility requirements are clearly structured to allow a CHP facility to provide services and operations needed by the electric system without jeopardizing the RMT treatment essential to meet the needs of its CHP Partner. Wellhead hopes the absence of comments in the last stakeholder are indicative of agreement on the proposed eligibility requirements.*

### **Establishing the Amount of RMT**

*With regard to the amount of generation that will receive RMT treatment, there appears to be agreement that*

- the maximum amount of generation eligible for RMT treatment must be sufficient to allow the CHP facility to always meet the needs of its CHP Partner and*
- the CHP facility should not request RMT treatment in any hour for generation in excess of what is required to meet the needs of the CHP Partner in that hour.*

*Wellhead believes that the CAISO has proposed a reasonable way to establish the maximum value for RMT – if the CHP facility and its scheduling coordinator (who provides the RMT value to the CAISO for inclusion in the RDT) do not agree, a mutually agreed independent engineer will be engaged to determine the value with the costs shared by the CHP project and the SC. This too seemed to be accepted by all parties on the last stakeholder call. The issues where there did not appear to be agreement were: 1) how often should the value be reviewed/revisited and 2) whether there needs to be more than one value in the RDT to reflect the fact that amount of generation needing RMT protection could change over the course of 24 hours or longer periods of time.*

*On the first issue, Wellhead believes the CAISO must ensure that reviewing/revisiting the maximum RMT value is a necessary effort and is not an administrative burden. The CAISO is proposing that the tariff have language that generation eligible for RMT treatment in any hour be limited to an amount that is necessary to meet the CHP Partner needs. Hence, the proposal for reviewing/revisiting the maximum RMT value no more often than every 3 years is reasonable; more frequent review would only be meaningful if there were changes in the needs of the CHP Partner. To address that potential situation, Wellhead would suggest adding a provision that the CHP facility is obligated to update the maximum RMT value in the event there is a meaningful change in its CHP Partner's needs.*

*On the second issue, Wellhead does not see the need to have multiple maximum RMT values. As noted above, the CAISO is proposing that RMT generation in any hour not exceed the amount needed by the CHP Partner. Administrative simplicity, complexity from the fact that needs of the CHP Partner could change during the course of the year (without an underlying change in the maximum need), and the potential need to reprogram the CAISO software necessitated by multiple values make multiple maximum RMT values unwarranted.*

*The final proposal did not address the issue of what maximum RMT value is used during any time periods when the appropriate parties, or the Independent Engineer, are reviewing the value. As discussed in the conference call, Wellhead supports the suggestion that the existing value remain in place until it is officially replaced by the new value coming out of the CAISO procedure (mutual agreement or determination of the independent engineer).*

*One additional item Wellhead would like to see in these Tariff changes is that the maximum RMT value cannot be changed without the written agreements of the CHP facility (similar to the way SC designations are handled; no changes without the owners agreement). Since there are significant business implications to the CHP facility as well as its CHP Partner, a unilateral change by the SC change must be strictly prohibited.*

### **Compliance with RMT Limits**

*The CAISO has suggested there is a need to ensure CHP facilities are complying with the requirement that RMT protection only be afforded to generation that is associated with the CHP Partner's actual needs. Wellhead understands the CAISO's need to ensure CHP facilities comply with this requirement (because RMT generation can limit/constrain the CAISO's economic/efficient operation of the grid). As such, Wellhead does not oppose a requirement that CHP facilities provide a non-binding schedule of forecasted RMT generation. However, the CAISO must recognize that many CHP Partner needs are subject to variables that neither they nor the CHP facility control. For example, weather, agricultural production and the economy can all be significant factors in the actual needs and timing of a CHP Partner's requirements. As such, the indicative forecasts should be structured to allow identification of such uncertainties. This is important information for the CAISO to have when they are comparing a forecast to reality. Understanding the actual business realities will serve to minimize the CAISO's administrative efforts to ensure the Tariff is being followed.*

*In summary, Wellhead appreciates CAISO's efforts to revise the Regulatory Must Take provisions of the Tariff. The direction the CAISO has proposed is clearly the correct one. And we look forward to working with the CAISO and other stakeholders in finalizing the proposed changes.*