



California Wind Energy Association

October 28, 2009

Chair Mason Willrich
Dr. Linda Capuano
Ms. Laura Doll
Dr. Christine Hafner
Mr. Thomas Page

Esteemed Governors:

I am writing this letter to ask you to consider a change to the Management proposal for revisions to the CAISO Tariff provisions applicable to Eligible Intermittent Resources (EIRs) – wind, solar, and limited-storage hydroelectric facilities.

The proposed changes would, among other things, extend many of the requirements of the Participating Intermittent Resources Program (PIRP) to EIRs. (EIRs can become Participating Intermittent Resources (PIRs) by agreeing to schedule each hour to the plant-specific output forecast produced by the CAISO forecast vendor; in return, they receive monthly netting of their 10-minute imbalances from forward schedules.)

The PIRP program has been instrumental in revitalizing the wind industry in California. Virtually all large new wind plants have joined the program, and the imbalance protection it provides continues to be a key element in enabling financing for such projects.

CalWEA participated actively in the stakeholder process that developed the Management proposal, and we intend to be similarly active in the development of the Business Practice Manual (BPM) provisions where most of the details will be spelled out. Throughout the stakeholder process, the CAISO staff – led by Jim Blatchford – was very open to changes we suggested, and we very much appreciate their willingness to address our concerns in this final proposal.

However, though we were able to reach agreement with the CAISO in nearly every area, there is one element of the proposal where we did not do so. I want to call your attention to this element, both because it was omitted from the proposal description in the Management memo to the Board, and because we believe that it is fundamentally unfair and discriminatory.

That proposal would extend the PIRP Forecast Fee to all EIRs, even those that do not choose to participate in PIRP. This fee funds the vendor costs to produce the plant-specific forecasts used for PIRP-plant scheduling.

The CAISO does not charge other kinds of suppliers for the additional cost of extra CAISO services they receive or for the CAISO operational efforts performed on their behalf. For example, there are no additional charges imposed on:

- **Multi-Stage Unit Generators**, where the CAISO conducted a stakeholder process and is developing complex software to ensure their proper modeling and dispatch;
- **QFs**, where the CAISO developed a special PGA and has separate dispatch rules that respect the primary non-electrical operation of their facilities;
- **Use-Limited Resources**, where the CAISO processes monthly Use Plans and modifies its dispatch to ensure that the use limits are not exceeded;
- **Resource Adequacy Resources**, where the CAISO processes annual and monthly Supply Plans and conducts special compliance monitoring, and is implementing a Standard Capacity Product framework with new performance bonuses and penalties;
- **Physical Scheduling Plants**, where the CAISO processes special applications and must consider downstream impacts when dispatching upstream plants;
- **Dynamic System Resources**, where the CAISO must negotiate and put in place special agreements with other Balancing Authority Areas and each generator; or
- **Non-Dynamic System Resources**, where the CAISO performs a complex pre-dispatch procedure, and may incur additional real-time dispatch costs, due to their hourly dispatch requirements.

Despite the above, we have not contested the applicability of the PIRP Forecasting Fee to PIRs, because PIRP is voluntary and participants receive a commensurate benefit. However, the imposition of this fee on EIRs that choose not to participate in PIRP – e.g., because of the additional administrative burden on small or marginally economic plants – is not warranted.

The CAISO forecasting function for intermittent resources generally is no more costly or burdensome to the CAISO than many of the services listed above for other generation types, and as such should simply be regarded as a part of regular CAISO operations. Moreover, there is no justification for charging a Forecast Fee to those generators who do not receive any direct benefit from those services.

As most EIRs are likely to participate in PIRP, deleting this element will result in very little revenue change for the CAISO.

I thank you in advance for your consideration and hope that you will agree to make this small but important change.

Sincerely,



Nancy Rader
Executive Director

cc: CAISO Officers