



May 12, 2010

Cynthia Hinman
Greg Cook
California Independent System Operator
151 Blue Ravine Road
Folsom, CA 95630

Re CAISO Mistaken Reporting; SCP Stakeholder Matrix

Dear Ms. Hinman and Mr. Cook:

This communication addresses an apparent misunderstanding that the Cogeneration Association of California (CAC) requests the CAISO correct and clarify.

The CAISO prepared and published a stakeholder matrix in the SCP RA proceeding.¹ That matrix mischaracterizes CAC as in support of the proposal to *“Extend SCP to RA Resources whose qualifying capacity is determined by historical output. Apply proportional de-rate methodology considering actual energy delivered.”*

This mistaken characterization of CAC’s positions indicates to the Board of Governors CAC’s support for both the extension of the SCP to combined heat and power (CHP) RA resources and the use of the proportional de-rate metric. CAC does not support either position.

During the first SCP initiative, CAC expressly urged the CAISO to grant CHP an exemption from the SCP. CAC resigned itself in the current SCP initiative to the fact that the CAISO would apply the SCP to CHP resources regardless of CAC’s opposition. However, CAC’s position remains that the SCP should not be applied to CHP due to its operational characteristics and the availability standards already established in CHP power purchase agreements.

Furthermore, CAC does not support the use of separate availability standards for different resources, and therefore does not support the use of a proportional derate metric. The CAISO, however, has decided to adopt the proportional derate metric and methodology. If a proportional derate methodology is used, CAC supports the consideration of actual energy delivered. However, it does not support the use of a proportional derate methodology in the first place.

The last page of the Decision Memorandum discusses CAC’s proposal to alter the Tariff. CAC’s proposal seeks Tariff language that would protect CHP from penalties in

¹ The Decision Memorandum and the Stakeholder Matrix discussed in this letter are available on the CAISO website at <http://www.aiso.com/2793/279385c753bb0.html>.



the course of normal operations. CAC requests that the CAISO alter the Tariff definitions of Forced Outage and Outage. That issue does not appear on the stakeholder matrix and is not addressed in the Memorandum.

Finally, the stakeholder matrix lists CHP as an intermittent resource type. CHP is *not* an intermittent resource. In a spectrum of resources where intermittency occupies one end and constancy occupies the other, CHP lies much closer to constant resources than it does to intermittent resources. All firm CHP resources operate 24 hours per day. As-available CHP generators resemble firm generators once they are aggregated. CHP does follow its host's thermal demands, but those demands follow round-the-clock schedules. To characterize CHP generators as "*intermittent*" is mistaken.

CAC is concerned with clarifying and properly addressing these issues before the CAISO Board. Please advise on actions that may be undertaken to address these issues at your earliest opportunity.

Respectfully,

A handwritten signature in black ink, appearing to read 'Tim Lindl', with a stylized flourish at the end.

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Of Counsel to the Cogeneration Association of California

cc: CAISO Board Members
Karen Edson
Bradford Cooper