



**COMMENTS OF THE COGENERATION ASSOCIATION OF CALIFORNIA  
ON THE ISO'S STANDARD CAPACITY PRODUCT PHASE II  
REVISED DRAFT FINAL PROPOSAL**

**I. INTRODUCTION**

The Cogeneration Association of California (CAC)<sup>1</sup> again submits that more work and careful deliberation should be undertaken before the CAISO applies the provisions of the Standard Capacity Product (SCP) to combined heat and power (CHP) resources. While the Revised Draft Final Proposal is superior to the Draft Final Proposal, the ISO should defer its adoption of availability metrics for CHP resources until issues regarding historical correction for as-available resources have been resolved. The ISO continues to deny CHP generators the necessary assurance in its Tariff that variations in output from CHP resources will not be considered Forced Outages. Finally, CAC agrees with the ISO's proposal to grandfather contracts signed before FERC's approval of the SCP Phase II Initiative, should the ISO receive that approval, for resources affected by the SCP II.

**II. THE REVISED DRAFT FINAL PROPOSAL IS SUPERIOR TO THE DRAFT FINAL PROPOSAL**

The ISO's Draft Final Proposal calculated the availability of non-dispatchable CHP resources using a proportional derate metric. Strict focus on this metric would have penalized generators that exported electricity at levels above their RA capacity obligations.<sup>2</sup> ISO calculations, therefore, would have created fictional unavailability when a resource was actually available. The Revised Draft Final Proposal addresses

---

<sup>1</sup> CAC thanks the ISO for this opportunity to comments on its Revised Draft Final Proposal.

<sup>2</sup> See CAC's comments on the Draft Final Proposal at 2-3.

this issue by determining availability as the maximum of proportional derate availability or actual energy availability. This revision makes the latter proposal superior to its predecessor. CAC thanks the ISO for responding to its comments, and the comments of other parties, in crafting this solution.

### **III. THE ISO SHOULD DEFER ENACTMENT OF AVAILABILITY STANDARDS UNTIL HISTORICAL CORRECTION ISSUES REGARDING AS-AVAILABLE RESOURCES ARE RESOLVED**

ISO-proposed historical correction in the calculation of net qualifying capacity (NQC), as it applies to temperature-related ambient de-rates (TRADs), unfairly opens as-available resources to recurring availability penalties. The ISO proposes in the CPUC's R.09-10-032 docket that the CPUC use historical correction to either eliminate the *"forced outage and de-rate hours from [the CPUC's] calculation of the QC of RA resources"* or *"use proxy energy output values for these hours."*<sup>3</sup> However, historical correction for TRADs will be problematic for as-available CHP resources and will require the alteration of current protocols for the sale of RA from such resources. Historical correction would increase a resource's NQC to remove TRADs that occurred during the averaging period. In other words, the NQC theoretically would not reflect any TRADs. Current practices at the CPUC require that an as-available resource's RA amount equal its NQC, and the resource is not permitted to reduce its RA value below its NQC to reflect anticipated TRADs. The as-available resource, therefore, cannot account for future TRADs in any way. As a result, the as-available generator's RA amount will be overstated in the summer by the amount of its TRADs, and the generator will be subject to availability penalties once those TRADs occur. CAC identified this

---

<sup>3</sup> California Independent System Operator Corporation Proposals on Phase 1 Issues at 5, CPUC R.09-10-032 (Jan. 11, 2010).

issue in its March 26, 2010 comments in R.09-10-032. The ISO should wait to adopt any availability standard for CHP resources until the issue of historical correction for as-available CHP TRADs is resolved.

#### **IV. THE ISO SHOULD GIVE LONG-TERM ASSURANCE TO CHP GENERATORS THAT VARIATIONS IN OUTPUT WILL NOT CONSTITUTE FORCED OUTAGES**

The correction of Tariff language regarding Forced Outages is vital to the continued operation of CHP resources subject to the SCP. CAC strongly supports the ISO's proposal to eliminate the phrase "*non-ambient de-rate*" from the ISO Tariff. However, the ISO's statement that "*non-ambient de-rates are included in the definition of Forced Outage*" is worrisome.<sup>4</sup> The concern is grounded in the definitions of "*Forced Outage*" and "*Outage*," which, when read together, state that a Forced Outage is any "*reduction in capacity*" that the ISO is unable to factor into its scheduling processes.<sup>5</sup> This definition raises the possibility that variations in electrical output from normal CHP operations that reduce capacity within 72 hours of Real Time could be considered "*Forced Outages*."

The ISO has repeated in its proposals that normal variations in output from a Qualifying Facility are not Forced Outages.<sup>6</sup> However, such statements do not change the fact that generators today are held, and years from now will still be held, to the

---

<sup>4</sup> Revised Draft Final Proposal at 4.

<sup>5</sup> The definition of "*Forced Outage*" includes the term "*Outage*." Outage is defined as any "*reduction in capacity, planned or forced, of one or more elements of an electric system*." A Forced Outage is "[a]n Outage for which sufficient notice cannot be given to allow the Outage to be factored into the Day-Ahead Market, HASP, or RTM bidding processes." Thus, a Forced Outage is any "*reduction in capacity*" that the ISO is unable to factor in to its scheduling processes. Tariff Appendix A, definitions of Forced Outage and Outage.

<sup>6</sup> Straw Proposal at 11; Draft Final Proposal at 12; Alternative Options for the Availability Standard and Replacement Rule Components at 5; Revised Draft Final Proposal at 8.

language of the Tariff. CAC does not believe that the ISO intends to mislead generators. However, the ISO's refusal to change its Tariff leaves CHP resources open to harmful consequences should the ISO or FERC misinterpret the definition of Forced Outage in the future. Simple, clarifying language would solve this issue. CAC recommends adding the following language to the definition of Outage, in the Tariff's

Appendix A:

*"Normal variations in output from facilities that serve industrial host operations, such as combined heat and power facilities, are not considered Outages for purposes of compliance with the provisions of the Resource Adequacy Standard Capacity Product."*

Such language will ensure that variations in output will not affect a CHP generator's availability under normal operating conditions. While CAC appreciates the ISO's statements regarding this issue, the statements simply do not create the necessary level of certainty that generators require.

#### **V. THE ISO SHOULD ADOPT ITS GRANDFATHERING PROPOSAL**

CAC supports the ISO's proposal to grandfather CHP and other SCP-II type RA contracts signed "*prior to FERC's approval of [the SCP II] filing.*"<sup>7</sup> The ISO's newest

---

<sup>7</sup> Revised Draft Final Proposal at 10.

availability calculation certainly will alter future contracts' posture regarding availability calculations. It would be unjust to hold to new standards generators operating under contracts based on old standards.

Respectfully submitted,

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

Michael Alcantar  
Tim Lindl  
Alcantar & Kahl LLP  
33 New Montgomery Street  
Suite 1850  
San Francisco, CA 94105  
415.421.4143 office  
415.989.1263 fax  
[mpa@a-klaw.com](mailto:mpa@a-klaw.com)  
[tjl@a-klaw.com](mailto:tjl@a-klaw.com)

Counsel to the  
Cogeneration Association of California

April 20, 2010