COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION, THE LARGE-SCALE SOLAR ASSOCIATION AND THE VOTE SOLAR INITIATIVE ON THE CAISO GMC REDESIGN STRAW PROPOSAL

The California Wind Energy Association (CalWEA), the Large-scale Solar Association (LSA) and the Vote Solar Initiative (VSI) appreciate the opportunity to comment on the CAISO's November 11th 2012 Grid Management Charge Straw Proposal ("Proposal"). Our comments, described in more detail below cover two main topics:

- ***General comments on the proposed design***, including both positive elements and potential concerns; and
- ***Our concerns about the proposed bill-comparison portion of the process.***

Positive elements of the proposed design

There are many attractive features of the proposed rate structure, e.g., that it would:

- ***Simplify the overall GMC structure considerably***;
- ***Recognize that the services provided by both supply and demand may start to converge***, as demand becomes more price sensitive (with new meters and rate structures) and begins to participate in CAISO markets more; and
- ***Remove the billing determinant based on deviations from forward schedules (Uninstructed Imbalance Energy*** (UIE)). This billing determinant was costly to intermittent resources before recent changes allowing netting of such deviations on a monthly basis for generators participating in, and scheduling per, the Participating Intermittent Resource Program (PIRP).

  Intermittent resources cannot control output variations from lack of "fuel" (wind or sun), and most Power-Purchase Agreements (PPAs) provide for maximum possible output under most circumstances regardless of any forward schedules. Thus, removal of deviations from forward schedules may obviate the need for the special PIRP treatment in the GMC rate structure. (However, neither this change nor other GMC changes would provide compensation for potential elimination of PIRP netting treatment of imbalance energy, a concern we have expressed in comments in other stakeholder processes.)

- ***Remove the current 10 cents per MWh intermittent-resource forecasting fee.*** Though this change was not explicit in the Proposal, we understand from recent discussions that it is part of the new design. If so, that would:
  - Partly offset any bill increases from billing all metered energy (which, as noted above, might increase generator bills, especially for those in the PIRP program); and
  - Remove a feature of the current design that we have believed was inequitable. The CAISO has never had a rational policy for when it does or doesn't charge separately for certain services; for example, much more complex feature to accommodate different generation technologies, like the considerable software upgrades for Multi-Stage Generators (MSGs), have no associated extra charges, but intermittent-resource forecasting and Station Power services, which would appear to be far easier and cheaper to provide, have such charges. In the absence of such an overall policy, we favor elimination of this charge.

Potential concerns about the proposed design

We have two main concerns about the proposed design, from the information provided so far:

- ***Net impacts on intermittent resources:*** While it appears that the proposed GMC rate applicable to real-time volumes would be lower than than that now applied to real-time deviations, the volumes it would apply to would be much more, particularly for PIRP participants.

  In other words, for most generators, it's likely that total real-time production would exceed both real-time UIE or (for PIRP participants) net monthly UIE. This means that bill comparisons are particularly important to our constituents, to determine the net impact of the proposed changes. That issue is addressed further below.

- ***Charges assessed to suppliers:*** We want to echo SCE's concerns regarding allocation of GMC costs to suppliers; that concern was expressed with respect to System Operations charges but would also apply to any other GMC charges allocated to supply. SCE is concerned that generators would likely "simply incorporate that GMC rate into [their] bids, and raise the market price commensurately," and states that "the benefits of reliable System Operation are accruing to demand" anyway.

  Certain forms of PPAs provide for Buyer coverage of GMCs, so allocating those costs to Sellers would effectively allocate them to demand anyway. Moreover, any GMCs that are the responsibility of the Seller would indeed cause sellers to raise their asking prices to compensate, for both the expected cost level itself and also uncertainty about future changes (which would be difficult to predict over the 10-30 year life of most PPAs).

  The original, one-charge CAISO GMC allocated costs only to demand for those very reasons. The CAISO should consider whether it makes sense to return to a demand-only allocation, or an allocation that moves in that direction, in this redesign process.

Concerns about the bill-comparison process

As is typical in these kinds of GMC stakeholder processes, the CAISO is proposing to post bill comparisons, based on historic usage data, for the current and proposed GMC rate structures. These bill comparisons would be posted for each Scheduling Coordinator Identification Number (SCID); the identity of the SCs would be masked, and the SCs would be told which data were theirs.

This process would not provide sufficient information for CalWEA/LSA/VSI to determine the impact of the proposed changes on intermittent resources – their main concern – because the posted data:

- ***Would only be based on historic data.*** Many of our members do not yet have generating facilities on-line and would receive no information through this process; this is especially true for large solar plants, since virtually none of those under development have yet achieved commercial operation, and for intermittent resources planned for areas where none currently exist.

- ***Would not identify the generating technologies represented by the SCID.*** Because of the way that PPAs are typically written, there is usually a separate SCID for each merchant plant, but there will be no way to identify which SCIDs represent intermittent resources.

- ***Would not break down the scheduling practices of any intermittent resources that are included.*** For example, it will be very important, in assessing the impact of the proposed changes, to determine impacts for periods when intermittent resources scheduled per their PIRP plant-specific forecast (and thus qualified for monthly netting of imbalances) and when they didn't.

We urge the CAISO to work with us to modify its plans for bill comparisons in this stakeholder process, to ensure that sufficient information is available for a meaningful impact assessment for our members.