

Stakeholder Comments

Market Initiatives Roadmap

Detailed Ranking Process

Submitted by	Company	Date
Nancy Rader: 510- 845-5077	California Wind Energy Assoc. (CalWEA)	9/04/2009
Shannon Eddy: 916-731-8371	Large Solar Association (LSA)	
Michael Goggin: 202-383-2500	American Wind Energy Assoc. (AWEA)	
Susan Schneider: 805-772-7025	Phoenix Consulting	

CalWEA, LSA, and AWEA appreciate the opportunity to comment on the recently-released preliminary results of the Market Initiatives Roadmap Detailed Ranking and offer feedback in the three areas explained below.

Enhancements to Standard RA Capacity Product: This initiative would address the current temporary exemptions from SCP availability payments and charges of demand-side, intermittent, and QF resources.

Our comments here relate to the scope of this initiative. All these exemptions are not alike, and the CAISO should devote scarce CAISO and stakeholder resources to those exemptions likely to lend themselves to near-term resolution through this process.

From the discussion on the August 28th conference call, it appears that much of the motivation driving this item may be derived from the desire to address the demand-side exemption. The demand-resource exemption approved by FERC was based on “on-going efforts to enhance the manner in which demand response resources participate in the CAISO’s markets” (June 26th FERC Order, pp.21-22).

Re-examination of the demand-side exemption may be warranted, given the significant recent CAISO and utility design work for Demand Response and Participating Load programs and the expected increasing amount of demand-side resources (and higher proportion of RA Qualifying Capacity (QC)) likely to come from those resources in the next few years.

However, the likelihood that the intermittent-resource exemption can be productively addressed any time soon is remote. As note in our prior comments, the CPUC just recently ruled on the intermittent-resource QC methodology this past June (D.09-06-028) adopting a new methodology that will: (1) continue the “double-counting” problem present in the prior methodology; and (2) significantly reduce intermittent-resource QC MWs. Wind-energy plants will likely be especially hard hit, and they will comprise most of the intermittent-resource energy on the CAISO system for the next few years.

Thus, unless the CPUC decides to significantly modify a methodology it just adopted, after a long and highly contentious proceeding, the “double-counting” problem preventing application of these SCP provisions to intermittent resources will continue. Moreover, the very low QCs assigned to intermittent resources will significantly reduce any benefit from applying the RA SCP framework to such resources.

For this reason, we suspect that the CPUC staff's very brief comments on this topic for the High-Level Ranking were mostly made with demand-side resources in mind. The CAISO should confirm with the CPUC staff the low likelihood of near-term CPUC action that would fix the double-counting problem; if such confirmation is received, the CAISO should remove intermittent resources from the scope of this effort, deferring action for those resources until it is likely to be more productive.

Rules to Encourage Dispatchability of Wind and Solar Resources: We strongly support the continued high ranking of this item and have the following additional comments, on the title and scope of this item.

- **Scope change since High-Level Ranking:** We support the CAISO's incorporation into this initiative of the previously separate initiative for Day Ahead Scheduling of Intermittent Resources. It is highly likely that both efforts will require changes to PIRP rules, and it makes sense to consider them together.
- **Proposed additional changes:** The scope (and perhaps the title) should be further broadened to include market incentives to improve operating flexibility of non-intermittent resources, to help the CAISO meet its needs in managing increasing amounts of intermittent resources generally. For example, lowering the decremental-bid floor price will also encourage non-intermittent resources to increase their downward operating flexibility and/or their minimum operating levels, in addition to incenting flexible operation of intermittent resources.

A/S for Non-Generation Resources: This FERC-mandated item was recently added to the Catalog. However, the CAISO said on the August 28th conference call that it plans to issue a White Paper around September 1st to kick off an effort in this area. Thus, the CAISO should show this initiative as "in progress," in the Catalog and in future presentations and discussions.

Generally, we support the CAISO's decision to proceed now with design and implementation work in this area. In addition to the FERC mandate for this work, the CAISO should be laying the foundation now to increase the competitive supply sources for the services it will need in the future, both to meet load and any additional grid-management needs with increased intermittent-resource penetration.