Comments of Cogeneration Coalition On Proposed Grid Management Charge

These comments are filed on behalf of a coalition of industrial cogeneration facilities that provide thermal energy for industrial processes and generate electricity for sale to utilities pursuant to long-term contracts.

The proposed grid management charge structure would impose a very significant increase in the grid management charge (GMC) for these generators, creating a severe financial constraint. This drastic increase seems due to two factors. First, the basic structure of the GMC has been changed so that generators are now charged for the energy they schedule and deliver to the grid. This fundamental change in the assessment of the GMC is unfair to suppliers that have existing contracts. Parties to existing contracts relied on the tariffs and regulations then existing to negotiate the financial responsibility for all expenses, including the GMC. The proposed GMC changes the assessment and the charge codes used for GMC, so any provisions of existing contracts related to GMC may become inapplicable. This financial risk imposed on long-term contracts is a particular disadvantage when compared with merchant plants, which make daily bids to sell their energy. Such merchant plants can adjust their bids to recover the additional costs of the new GMC. Suppliers with existing contracts may not be able to reach an accommodation with their buyers and would suffer a serious commercial disadvantage in competing with merchant plants.

To resolve this penalty to existing contractual relationships, the new GMC structure should include a provision grandfathering transactions under existing contracts for some period of years. The GMC for such transactions would be assessed using the current methodology for the grandfathering period. At the expiration of the grandfathering period, the imposition of the new GMC would be phased in, perhaps transitioning from the existing methodology to the new one over three years.

GMC billings may also significantly increase if the supplier had relatively low charges for schedule deviations under the current system. Some generators apparently historically accrued significant charges for deviations, and therefore, the imposition of new charges for delivered energy do not produce a significant net increase. But suppliers that did not have significant charges for deviations would now face an enormous net difference. These suppliers are in effect being penalized for their more accurate scheduling and operating behavior. In particular, industrial cogeneration, with its obligations to its steam host and its historically high capacity factor, should have minimal unscheduled deviations. The charges to individual suppliers for system operations should reflect the additional ISO activity required in real-time to balance deviations. Such activities by ISO staff are not related to the amount of MW delivered, but the amount of deviation. ISO staff must perform far fewer scheduling actions to handle certain generators' compliant behavior than to compensate for another generator's deviations. The system operations charge should be disaggregated into two charges so that the costs of balancing the system can be properly allocated. Such a charge would not be a "penalty;" rather, it merely identifies and allocates the responsibility for the cost causation attributable to scheduling deviations.