

California Independent System Operator  
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January 18, 2013

***NextEra Energy Resources Comments on the CAISO's Proposed 2012/13 Tariff  
Clarification Filing Process dated December 28, 2012***

NextEra Energy Resources, LLC ("NextEra") appreciates the opportunity to comment on the California Independent System Operator Corporation's ("CAISO") proposed tariff changes. NextEra supports the proposed changes to the CAISO tariff. However, it respectfully requests additional changes/clarifications to Appendix A of the tariff in order to define the new term introduced in 2012 that describes the deliverability status of certain resource adequacy ("RA") generation resources.

The CAISO should define its new capacity deliverability status

In its final Net Qualifying Capacity ("NQC") report for the 2013 RA year, the CAISO introduced a new term -- *energy-only with interim deliverability* ("EO-ID") -- to describe a certain deliverability status of a generation resource. Prior to introducing EO-ID, there were three deliverability status alternatives memorialized in the CAISO tariff:

- (i) energy-only ("EO"), meaning a generation resource cannot provide resource adequacy and has a net qualifying capacity value of zero,
- (ii) full capacity ("FC") deliverability status, meaning all of the delivery network upgrades specified in the generation resource's interconnection agreement are complete and the resource is eligible to sell RA capacity up to full qualifying capacity (but may be less based on topology changes studies for the annual NQC report), and
- (iii) partial deliverability ("PD") status, meaning the generation resource has elected to be studied for deliverability at less than its full output, which results in a reduction to its potential full NQC capacity regardless of the status of required delivery network upgrades.

Each deliverability status is defined in Appendix A of the CAISO tariff.<sup>1</sup> Furthermore, the terms are used expressly in the annual NQC list to convey whether a generation

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<sup>1</sup> Specifically, CAISO Tariff Appendix A provides:

**Energy-Only Deliverability Status** - A condition elected by an Interconnection Customer for a Large Generating Facility interconnected with the CAISO Controlled Grid the result of which is that the Interconnection Customer is responsible only for the costs of Reliability Network Upgrades and is not responsible for the costs of Delivery Network Upgrades, but the Large Generating Facility will be deemed to have a Net Qualifying Capacity of zero, and, therefore, cannot be considered to be a Resource Adequacy Resource.

resource is eligible to sell capacity and in what quantity.

NextEra understands that the new term “energy-only with interim deliverability” means a generation resource, which applied for FC status, is fully deliverability during the upcoming RA year (as such RA year is identified on the applicable NQC list) despite the fact that all the network upgrades specified in the resource’s interconnection agreement are not yet in-service. Once the network upgrades associated with the EO-ID resource are completed, the resource will achieve “fully capacity deliverability” status. Until the generation resource achieves full capacity status, such EO-ID resource will have its deliverability status reassessed each year during the annual NQC update.

Based on the final NQC list issued on October 8, 2012, eighteen generation resources were given this new EO-ID designation for the 2013 RA year.

The new EO-ID designation has created uncertainty for generators selling resource adequacy. The commercial terms incorporated in power purchase agreements (“PPA”) underlying a sale of resource adequacy generally require that a generation resource obtain a “full capacity deliverability” or “partial capacity deliverability” status finding by the ISO. Absent the requisite “FC” or “PC” status, a generator would be unable to satisfy its RA delivery obligation, which would lead to an event of default under the PPA.

The CAISO’s introduction of the new, but undefined, EO-ID resource deliverability status term requires that counterparties must now attempt to interpret the PPA to determine whether a generation resource can satisfy its RA obligation, especially to the extent the PPA requires full capacity status. Therefore, the CAISO should define EO-ID status in order to avoid contractual ambiguity. Furthermore, it would be inconsistent for the tariff to specifically define the other three capacity deliverability status terms, but not EO-ID. Counterparties interpreting PPAs, or amending PPAs to accurately reflect the ISO’s new deliverability status, require a formal definition of energy-only with interim deliverability to clarify the meaning of this RA status term and assure that contractual obligations are satisfied.

Other CAISO References to Deliverability create further confusion about the meaning of energy-only with interim deliverability

NextEra is not aware of any CAISO definition of energy-only with interim deliverability. However, the reference to deliverability existing in tariff section 40.4.6 and Appendix Y Section 7.1 “Scope Of Phase II Interconnection Study” do not define the term and create

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**Full Capacity Deliverability Status** - Full Capacity Deliverability Status entitles a Generating Facility to a Net Qualifying Capacity amount that could be as large as its Qualifying Capacity and may be less pursuant to the assessment of its Net Qualifying Capacity by the CAISO.

**Partial Deliverability Status** - The condition whereby a Large Generating Facility interconnected with the CAISO Controlled Grid can deliver an elected amount of output that is less than the full output of the Large Generating Facility to the aggregate of Load on the CAISO Controlled Grid, consistent with the CAISO’s Reliability Criteria and procedures and the CAISO On-Peak Deliverability Assessment.

confusion about how partial deliverability and energy-only with interim deliverability are distinguished. For example, Appendix Y section 7.1 of the of generator interconnection procedure states:

The CAISO will perform an operational partial and interim Deliverability Assessment (operational Deliverability Assessment) as part of the Phase II Interconnection Study. The operational Deliverability Assessment will be performed for each applicable queue cluster study group for each applicable study year through the prior year before all of the required Delivery Network Upgrades are in-service. The CAISO will consider operational Deliverability Assessment results stated for the first year in the pertinent annual Net Qualifying Capacity process that the CAISO performs for the next Resource Adequacy Compliance Year. The study results for any other years studied in operational Deliverability Assessment will be advisory and provided to the Interconnection Customer for its use only and for informational purposes only.

While this section refers to the process for assessing deliverability for a new generation resource, it does not define the meaning of energy-only with interim deliverability. Furthermore, it does not indicate how the study results translate into a specific deliverability designation (*e.g.*, FC, EO, EO-ID, or PD). As it relates to EO-ID, this section is ambiguous as it does not: (i) provide a conclusive definition of the term, (ii) state that the generation resource is fully deliverable for a single RA year, and (iii) provide that such deliverability will be reassessed annually when the NQC report is updated for the forthcoming RA year. Critically, it needs to be clear that if a resource has the EO-ID designation for a single RA year that its qualifying capacity has not be reduced for deliverability.

CAISO Tariff Section 40.4.6.1 *Deliverability Within the CAISO Balancing Authority Area* states:

In order to determine Net Qualifying Capacity from Resource Adequacy Resources subject to this Section 40.4, the CAISO will determine that a Resource Adequacy Resource is available to serve the aggregate of Load by means of a deliverability study. Documentation explaining the CAISO's deliverability analysis will be posted on the CAISO Website. The deliverability study will be performed annually and shall focus on peak Demand conditions. The results of the deliverability study shall be incorporated into the Net Qualifying Capacity annual report under Section 40.4.2 and will be effective for the next Resource Adequacy Compliance Year. To the extent the deliverability study shows that the Qualifying Capacity is not deliverable to the aggregate of Demand under the conditions studied, the Qualifying Capacity of the Resource Adequacy Resource will be reduced on a MW basis for the capacity that is undeliverable. Resources will be electrically grouped in a manner consistent with the CAISO Deliverability Assessment methodology posted on the CAISO Website. For Resource Adequacy Resources in the same electrical group which have identified deliverability constraints, the Qualifying Capacity of the Resource Adequacy

Resources that obtained Full Capacity Deliverability Status or partial deliverability through Section 8.2 of Appendix Y to this CAISO Tariff will be reduced prior to reducing the Qualifying Capacity of those resources which were originally provided Full Capacity Deliverability Status pursuant to inclusion in an Interconnection Study Cycle under Appendix Y to this CAISO Tariff

This tariff reference also fails to define energy-only with interim deliverability. Further, it creates confusion by referencing a MW for MW reduction in qualifying capacity for undeliverable capacity without indicating the deliverability status of the generation resource. All RA designations, whether FC, EO-ID, or PD, can be reduced during the operational study on a MW per MW basis. However, in order to avoid the confusion between the initial election to reduce potential QC capacity by a PD resource and any operational reduction to an EO-ID resource, a formal designation of energy-only with interim deliverability would be helpful to avoid confusion and clarify that the EO-ID resource was equivalent to a FC resource for the upcoming year “but for” the operational limitation.

In short, there exists no formal CAISO definition of the term energy-only with interim deliverability and the existing tariff references are either ambiguous with regard to the meaning of the term or create confusion about the differentiation between this new term and partial deliverability.

### **Conclusion**

Buyers and sellers of resource adequacy require a formal definition of the new CAISO deliverability status term in order to interpret existing contracts or to amend them in order to account for the new deliverability status designation.

NextEra appreciates the opportunity to comment on the CAISO’s proposal.

Sincerely,

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