

## CALIFORNIA ENERGY COMMISSION

ROBERT B. WEISENMILLER, CHAIR

1516 NINTH STREET, MS 33

SACRAMENTO, CA 95814-5512

(916) 654-5036

FAX (916) 653-9040



May 10, 2012

Board of Governors  
California Independent System Operator  
250 Outcropping Way  
Folsom, CA 95630

Dear Board of Governors,

I am writing in support of the California Independent System Operator's (ISO) Regulatory Must-Take Draft Final Proposal for Combined Heat and Power (CHP) facilities. The proposal provides a transition path and new contract opportunities for CHP Qualified Facilities (QF) and is consistent with the state's energy and environmental policies. This proposal balances the interests of all parties and I encourage you to approve the Regulatory Must-Take Generation Draft Final Proposal (RMT Proposal).

Assembly Bill 1613 Waste Heat and Carbon Emissions Reduction Act (Blakeslee Chapter 713, Statutes of 2007) states that it is the Legislature's intent to

“dramatically advance the efficiency of the state's use of natural gas by capturing unused waste heat, to reduce wasteful consumption of energy through improved residential, commercial, institutional, industrial, and manufacturer utilization of waste heat whenever it is cost effective, technologically feasible, and environmentally beneficial, particularly when this reduces emissions of carbon dioxide and other carbon-based greenhouse gases, and to support and facilitate both customer- and utility-owned combined heat and power systems.”

California thus recognizes the efficiency benefits of CHP facilities and the reduction in Greenhouse Gas (GHG) emissions associated with such facilities. For this reason, the Energy Commission has long supported and recommended proactive CHP policies in its Integrated Energy Policy Reports. These policies encourage the inclusion of clean and efficient CHP electricity generation in California's energy resource portfolio.

CHP's value to California was reinforced on December 11, 2008, when the California Air Resources Board approved the AB 32 *Climate Change Scoping Plan* which includes emission reductions specific to CHP: 6.7 million metric tons of CO<sub>2</sub> by 2020. Recently, Governor Brown's *Clean Energy Jobs Plan* includes a target of 6,500 MW of new CHP capacity over the next 20 years to support California's energy and environmental goals.

In addition, Senate Bill X1-2 (Simitian, Chapter 1, Statutes of 2011) revised the Renewable Portfolio Standard (RPS) to require that renewable generation should average at least 20 percent of the total electricity sold to retail customers in California by December 31, 2013, 25 percent by December 31, 2016, and 33 percent by December 31, 2020. The old world of renewable generation included a large percentage of electricity coming from base load resources like geothermal, biomass and small hydro-power. While these resources will continue to play a valuable role in California's RPS, new procurement of renewable generating sources, such as solar and wind, are likely to be intermittent. Thus, as California moves aggressively towards its 33 percent renewable energy goal, the challenges of operating the grid with high penetrations of intermittent renewable energy sources will require changes to system operation and planning. The RMT Proposal recognizes that as the proportion of variable technologies on the system increase, all generators, including CHP facilities, must play a more active role in helping to maintain system stability and reliability.

Finally, the RMT Proposal is a needed first step that will transform the CHP market without putting the CHP primary industrial process at risk. If the RMT Proposal is approved, it is anticipated that the amount of electricity generated and not needed for the CHP industrial requirement, will be available for dispatch in the ISO energy and ancillary markets. This outcome will increase the dispatch flexibility of the generation fleet, ensure that CHP generators do not drop below their host site's thermal needs and establish a new source of revenue for CHP generators. Creating incentives such as this will encourage the development of new CHP facilities, help meet Governor Brown's CHP goal and reduce the states GHG emissions.

In closing, as Chair of the California Energy Commission I strongly encourage the ISO Board of Governors to approve the proposed Regulatory Must-Take Generation Draft Proposal as presented.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert B. Weisenmiller". The signature is written in a cursive, slightly slanted style.

ROBERT B. WEISENMILLER  
Chair