

SDG&E's Comments on Standard Capacity Product II Proposal

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SDG&E offers the following comments on the CAISO's Standard Capacity Product II (SCP II) proposal that was discussed on the April 13, 2010 stakeholder conference call.

I. Currently Exempt Resources

SDG&E conditionally supports extension of the SCP II availability requirements to the currently exempt solar, wind, and QF resources. The CPUC's resource adequacy (RA) counting rules must first be changed to eliminate the potential for double counting of forced outages. Also important to implementation of the SCP II proposal is changing the availability metric for the currently exempt resources from PMax to the Net Qualifying Capacity (NQC) metric, which is already being used for dispatchable resources. Consistent use of the NQC metric will allow the availability penalties and rewards to be apportioned fairly between intermittent and dispatchable resources.

SDG&E also supports the CAISO's most recent proposal to use actual energy delivered in the availability calculations. Actual energy delivered is part of the exceedance methodology that is used to establish NQC for intermittent resources, so it is logically consistent to reflect actual energy delivered when measuring the extent to which these units are available at their rated capacity. In calculating availability performance, the CAISO should apply the exceedance calculation to actual hourly delivered energy data to determine whether the intermittent generator exceeded or fell short of its exceedance-based NQC. Since comparing the actual performance of individual wind resources to the NQC which contains the diversity benefit adder would be unfair to individual wind resources – in essence creating a built-in penalty – SDG&E proposes that the Availability Standard Metric be lowered by the diversity benefit adder for all wind and solar resources. Moreover, the assessment hours should be expanded to include all days in the month as was used for the up-front determination of the exceedance-based NQC to allow for an accurate comparison; these hours and days may differ from what is being used for non-intermittent units. Lastly, during the assessment hours that an intermittent resource is scheduled for maintenance outage, the CAISO should presume the resource achieved its NQC for the percentage of PMax capacity that was scheduled out of service. SDG&E's proposed approach introduces several key variances from the availability performance measure used for non-intermittent resources. These variances are required to maintain adherence to the exceedance-based NQC calculation, which itself was required to accommodate the unique and highly variable nature of intermittent resources.

II. Transition

SDG&E believes the SCP II proposal should be implemented prospectively. The CAISO recognizes that a transition is needed, and proposes to grandfather contracts signed or submitted to the applicable regulatory authority prior to the FERC approval of SCP II. That should be the end of the story, but the CAISO, so far, appears to be insisting that the physical facilities associated with the grandfathered contracts be operational by a date certain, generally about six months after FERC approval of the SCP II tariff provisions. Under this construct, the CAISO seemingly grandfathers contracts from the SCP II availability provisions but then reverses that effect by insisting on early commercial operation.

SDG&E has contracted for new capacity from intermittent resources relying upon the regulatory policies and rules that were in place at the time to allocate risks and benefits under the contract. SDG&E believes that it would be unfair to shift unilaterally the risks and benefits negotiated by the parties to the contract. Accordingly, SDG&E urges the CAISO to follow previous FERC grandfathering practice by focusing on the signing date of the contracts and not the commercial operation date of the physical facilities related to the contract. Otherwise, there will be no effective grandfathering mechanism to protect these contracts from the destabilizing effect of newly imposed availability requirements, and SDG&E's support for extending the SCP concept to currently exempted resources will be withdrawn.

III. Allocation of Availability Incentive Payments to All Metered Demand

SDG&E opposes the proposal to allocate surplus availability incentive payments to all metered CAISO demand. Currently, any surplus payments are allocated to metered CAISO demand that is scheduled at one of the three default load aggregation points (LAPs). SDG&E believes that the surplus incentive payments should remain with those entities that submit demand schedules at the three default LAPs. Not all metered CAISO demand shoulders RA requirements and thus face the prospect of being penalized for having insufficient capacity available to support system reliability.