

August 9, 2013

Comments Submitted RE: “FERC Order 764 Market Changes Intermittent Resource Protective Measures Straw Proposal”

Silverado Power, LLC (“Silverado Power”) is engaged in the full lifecycle development of utility-scale solar projects—from site acquisition through physical plant development, ownership and operation. Silverado Power has over 2500 megawatts of utility-scale projects currently under development in California and the western United States. Silverado Power previously requested information on the protective measures in June of this year.

Silverado Power believes the protective measures in the Straw Proposal do not adequately protect generators that could face imbalance energy price risk and bear the resulting financial harm within an existing bilateral contract. Silverado Power currently has late stage development projects with executed bilateral contracts which indicate that we could incur financial harm due to the change in ISO market real-time energy settlement, specifically the imbalance costs.

The proposal for protective measures is inadequate in limiting the protective measures to those projects with outdated technology, and in limiting the transition period to three years.

By limiting the protective measures to projects with outdated technology, the proposal ignores the needs of projects which have executed bilateral contracts but are still in development. Two potentially erroneous assumptions are made in the proposal. The first is that the updated market design will NOT result in energy imbalance costs that will exceed those under the current PIRP monthly netting system. While the “Background” section of the proposal suggests this to be the case, it is ultimately unknown by anyone if this will be true. The second assumption is that the generator will be able to easily renegotiate their PPA to mitigate this risk with the LSE. If it is ultimately shown that energy imbalance costs actually exceed those under the current PIRP monthly netting system, LSE’s will not be so eager to renegotiate these contracts and incur this financial harm themselves, and the generator has no ability to require the LSE to do so.

In addition to omitting projects under development, the proposed transition period does not provide an adequate length of protection for projects. Unless the transition period lasts for the entire PPA term, a three year transition period only delays financial harm, instead of mitigating it. The uncertainty of the imbalance energy settlements will force potential financiers of projects in development to assume the worst case scenario. This could lead to the projects being deemed as not financeable and kill the projects outright.

Silverado Power proposes the protective measures to be extended to projects whose bilateral contracts do not mitigate real-time energy settlement risk, regardless of technology. Silverado Power also proposes to extend the transition period to either the end of the PPA, or until a calendar year passes with no applicants for protective measures, whichever occurs first. Given the limited number of responses to the CAISO on the subject, it should not be unduly burdensome to the CAISO to enforce this. Additionally, should the new market design actually provide a benefit in terms of energy imbalance costs, the transition period will likely end in significantly less time.

Thank you for the opportunity to comment,

Silverado Power LLC
ic@silveradopower.com