

**CDWR-SWP's comments on the CAISO  
Draft Final Proposal  
Standard Capacity Product II**

**March 3, 2010**

The California Department of Water Resources State Water Project (SWP) appreciates the opportunity to provide comments and questions to the California Independent System Operator (CAISO) on its Draft Final Proposal "Standard Capacity Product II" dated February 19, 2010. SWP respectfully submits following comments and questions:

1. NRS-RA issues relative to Standard Capacity Product (SCP): Since the issues related to the Non-Resource Specific RA resource (NRS-RA) relative to SCP have been deleted from the Feb 19<sup>th</sup> draft final proposal, the CAISO should, in this context, consider comments submitted on the January 19<sup>th</sup> straw proposal-SCP II with regard to the NRS-RA resource issues and assess their significance in the initiative—"Bids and Outage reporting for NRS-RA Resources". The CAISO should address prior comments, even as it changes the locus for issues relating to this topic.
2. Planned outages issues:
  - a) While the SCP II final proposal (to be effective January 2011) will revise rules with respect to planned outages with substitute units that do not count against RA availability, the CAISO should make clear in the interim how the SCP tariff provisions address the planned outages of the RA resources under the CAISO tariff, in the event the Local Regulatory Authority has not spelled out these changes. Neither the current tariff nor the BPM expressly state how RA units under planned outage will be treated. For example, the CAISO should explain how RA availability will be assessed when such resources are in planned outage or in the event of planned outages if there is a requirement to substitute such resources.
  - b) Under SCP II rules, the mechanism allowing substitution for a designated RA resource that has an approved planned outage should be available to all under the CAISO tariff, not just for CPUC jurisdictional entities.
  - c) The proposal states that for planned outages longer than a week, a supplier will need to report details of such outage in its supply plan and put a request into SLIC. The proposal does not state how planned outages lasting less than a week are going to be treated. Will the planned outages less than a week be counted against monthly SCP availability of the resource? Will a substitution be required if the RA resource's planned outage of less than a week is counted against availability?
  - d) The proposal indicates that a local RA resource undergoing planned outage can be replaced by any resource elsewhere. It also indicates that if the CAISO needs to procure capacity in that RA resource's specific local area irrespective of the supplier providing the replacement, the CAISO will allocate the costs of

the CAISO’s local capacity procurement to that supplier for the outage share of local RA resource. In this circumstance, the CAISO should first determine whether the Interim Capacity Procurement Mechanism (ICPM) would be required and let the LSE and the supplier know the fact and provide the opportunity to cure the deficiency by the supplier prior to triggering ICPM. Once the ICPM procurement takes place the CAISO should release the initially offered replacement resource.

3. Error on non-ambient derate: Although SCP application to Demand Response resource is out of scope in this proposal, the proposal erroneously repeats at Page 9-“Ultimately, all RA resources should be measured and accountable for providing the capacity that is their obligation, however it is not clear that measuring non-availability through **forced outages and temperature non-ambient derates** is the correct method to account for demand response participation”. In this final proposal the CAISO is proposing to eliminate the term “non-ambient derates” because it is a subset of “forced outage”. Contrary to the CAISO’s proposal, the above statement actually distinguishes between “forced outage” and “non-ambient derate”. It appears that the term “temperature non-ambient derate” is an inadvertent error in the draft final proposal.
  
4. QC evaluation hours and availability assessment hours alignment for intermittent resources: In the CAISO tariff §40.8: CAISO Default Qualifying Capacity Criteria, the historical hours (noon through 6 pm) used to estimate qualifying capacity (QC) does not align with the RA availability assessment hours for months other than April through October. In order for appropriate QC to be made available during the RA availability assessment hours (currently effective, April-Oct: hrs 14:00-18:00; other months: hrs 17:00-21:00), the QC evaluation hours should at least include all the RA availability assessment hours. QC evaluated during hours that do not coincide with the availability assessment hours may not be available and the availability result may be skewed. Alignment of time frames for QC evaluation and availability assessment hours may yield truly representative QC for the resource by month and improve the availability of the resource. An illustrative example:

QC evaluation hrs	QC estimated and used for RA	Availability assessment hours for January	Actual available MW during all assessment hours	Monthly availability for January
12:00-18:00 (default tariff provision)	10 MW	17:00-21:00	4 MW	40% (hrs not aligned)
12:00-21:00 (an example: hrs aligned with	5 MW	17:00-21:00	4 MW	80% (hrs overlapping)

assessment hours)				
		Availability assessment hours for May		Monthly availability for May
12:00-18:00 (default tariff provision)	10 MW	14:00-18:00	9.5 MW	95% (hrs overlapping)

The default tariff section states as below:

40.8.1.6 Wind and Solar.

*As used in this Section, wind units are those wind Generating Units without backup sources of Generation and solar units are those solar Generating Units without backup sources of Generation. Wind and solar units, other than Qualifying Facilities with effective contracts under the Public Utility Regulatory Policies Act, must be Participating Intermittent Resources or subject to availability provisions of Section 40.6.4.3.4. The Qualifying Capacity of all wind or solar units, including Qualifying Facilities, for each month will be based on their monthly historic performance during that same month during the hours of noon to 6:00 p.m., using a three-year rolling average. For wind or solar units with less than three years operating history, all months for which there is no historic performance data will utilize the monthly average production factor of all units (wind or solar, as applicable) within the TAC Area in which the Generating Unit is located.*

5. Use Limited Resource Use Plan and the SCP availability assessment hours: the currently effective Use Plan requires “maximum daily capacity” of Use Limited resources must be available for at least 4 hours per day. The CAISO should clarify whether those 4 hours are within the availability assessment hours for each month. The CAISO should clarify whether these 4 hours must be contiguous during the day and whether the 4 hours are coincident with the SCP availability assessment hours in a month.
6. Use Plan Maximum Daily Capacity: The Use Plan requirement of daily maximum capacity to be available for at least for 4 hours indicates that even if the resource is not available for 5 hours it can be used for resource adequacy with a showing for only 4 hours. This signifies that intermittent resources may be available for less than 5 hours and can serve the RA purpose. The SCP availability assessment, however, imposes a 5 hour availability requirement. Thus those resources that are available only for 4 hours will be subject to penalties because they are available only for 80% of the SCP assessment hours in a month. Hence the Use Plan requirement and SCP availability requirement for intermittent resources are in conflict.

7. Allocation of the current excess non-availability fund: In the period prior to the effective date of SCP II, how is the current excess non-availability fund allocated until the SCP II is approved by FERC? Is it going to be allocated based on the current approved tariff (to metered demand in the corresponding default LAP) or to the metered CAISO Demand as proposed in SCP II (prior to future FERC approval).
  
8. ICPM resource availability standard and SCP availability standard: The CAISO tariff Appendix F Schedule 6 (ICPM Schedules) states that target availability for a resource designated under ICPM is 95% and incentives and penalties for availability above and below the target are set forth in the “Availability Factor Table”. Isn’t an ICPM designated resource subject to SCP availability standard and corresponding incentives and penalties just as any other RA resource? If ICPM designated resource is subject to SCP availability standard, then what is the significance of “Availability Factor Table”? If both SCP availability standard and ICPM “Availability Factor Table” are applicable, isn’t one of them redundant? In other word either double incentives or double penalties could be associated in the transaction.