



## California Wind Energy Association

September 28, 2006

To: Ben Arikawa, California Independent System Operator  
From: Nancy Rader  
Re: Comments on PIRP Export Issue

Please see the attached comments, which were prepared by Susan Schneider on our behalf, in consultation with CalWEA members and counsel.

## CalWEA COMMENTS ON ISO “GMC AFTER MRTU” PROPOSAL

CalWEA offers these comments on the ISO’s September 8<sup>th</sup> proposal for the Grid Management Charge (GMC) structure after the planned November 2007 Market Redesign & Technology Upgrade (MRTU) implementation. The ISO has proposed a number of changes to the current GMC structure to reflect changes in the MRTU design from the current markets.

CalWEA appreciates the opportunity to comment on the ISO proposals. CalWEA’s comments will be limited to the issues below; our positions are summarized in this introductory section and explained further in subsequent sections.

- **GMC structure changes:** CalWEA’s comments focus on proposals for two Charge Types (CTs):
  - **Deletion of the current Energy Transmission Service – Uninstructed Energy charge (CT 4506):** CalWEA does not oppose the ISO’s proposal; however, if this CT is retained in the final proposed design, CalWEA would oppose that retention without the same changes it recommends for CT 4536 (see below).
  - **Retention of the current Market Usage charge (CT 4536):** CalWEA would support this proposal only if the change CalWEA has advocated for facilities participating in the Participating Intermittent Resources Program (PIRP Facilities) – billing based on net monthly deviations from schedule – is incorporated.
- **GMC structure development & implementation timing:** CalWEA would support the ISO’s proposal to greatly accelerate the GMC structure development timing, and to carry the new structure into 2008 and beyond, only if that schedule would allow balanced consideration of CalWEA’s proposed rate-structure changes, as the ISO has promised in the past, in that accelerated process.

### **GMC STRUCTURE CHANGES**

As noted above, CalWEA’s comments on the ISO’s proposed GMC structural changes are limited to two CTs – 4506 and 4536. Both these charges are currently assessed based on a Scheduling Coordinator’s real-time Net Uninstructed Deviations (NUDs) from forward schedules. Generators not bidding into ISO’s real-time market pay these charges on their 10-minute deviations.

- **Energy Transmission Service – Uninstructed Energy (CT 4506)**

The ISO has proposed eliminating this charge, because the amount is very small (~\$12 million a year) and has been shrinking over time. CalWEA supports elimination of this charge, both for reasons cited by the ISO and because of the disproportionate impacts on intermittent generators, explained below for CT 4536.

If, however, this charge is retained in the ISO’s final proposed design, CalWEA supports making the same structure changes described below for CT 4536 to this charge, for the same reasons.

- **Market Usage (Charge Type 4536)**

CalWEA has proposed several times before assessing these charges for PIRP Facilities based on net monthly deviations, rather than the “gross deviations” currently used for the current charges. This position is based on these unique considerations, which would persist under the new proposed structure:

- **Lack of control over schedules:** PIRP Facilities must schedule according to the ISO forecast vendor’s hourly facility-specific output forecast in order to receive their monthly netting treatment for Imbalance Energy (I/E) Charges. Thus, they have no control over the accuracy of their output forecasts and should not be held responsible for the resulting imbalances from those forecasts/schedules.

Moreover, PIRP Facilities are actually charged twice for vendor forecast inaccuracies: Once for the forecast error, and again when the vendor forecast is intentionally biased in the opposite direction to correct for the first error.

- **Lack of control over output:** Intermittent resources generally, such as PIRP Facilities, have little or no control over their output, and the ISO's monthly netting for I/E Charges reflects that feature. It makes no logical sense for the ISO to promote monthly netting for I/E but not for CT 4536 (and CT 4506, if it is retained).

The proposed change would presumably require only minimal software programming by the ISO, since it would apply the exact same billing determinant now used for I/E to CT 4536.

### **GMC STRUCTURE DEVELOPMENT & IMPLEMENTATION TIMING**

The ISO has proposed: (1) greatly accelerating the new GMC development schedule (January 2007 filing, instead of an August 2007 filing) to accommodate MRTU Market Simulation activity; and (2) carrying the new GMC rate structure to carry on into 2008 and perhaps 2009-10, with the same filing "trigger" structure as the current framework.

CalWEA would support this proposal only if it would allow reasoned consideration of the CT 4536 (and 4506, if relevant) rate-structure changes described above. PIRP Facilities have been complaining about these charges since they first became apparent in 2005, and the ISO has said numerous times that these changes would be considered in the post-MRTU GMC development process. It would be patently unfair if the ISO's need for speed here postponed fair consideration of CalWEA's proposals yet again, to 2009 or 2010.

If the ISO's proposed accelerated schedule would not allow for such consideration, CalWEA supports one of the alternative timing proposals discussed at the September 14<sup>th</sup> budget meeting.

Specifically, the ISO should limit the applicability of any GMC structure resulting from the accelerated schedule to the last two months of 2007 (assuming November 2007 MRTU implementation). The ISO should then use a more measured timeline, similar to its original development schedule, to develop a new GMC structure that would consider, among other things, CalWEA's proposed changes.