

Stakeholder Comments

Standard Capacity Product II

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The California Wind Energy Association (CalWEA) and the Large-scale Solar Association (LSA) appreciate the opportunity to comment on the recently-released CAISO document, “**Issue Paper – Standard Capacity Product II**” (“Paper”). This Paper is the first step in implementing the “Enhancements to Standard RA Capacity Product” initiative, intended to address the current exemptions from SCP availability payments and charges of demand-side, intermittent, and QF resources. This was the highest-ranked initiative in the recent annual Market Initiatives Roadmap (MIR) update.

Like our comments in the earlier MIR process, our comments here relate to the scope of this initiative. All these exemptions are not alike, and the CAISO should devote scarce CAISO and stakeholder resources to those exemptions likely to lend themselves to near-term resolution through this process.

We understand the possible usefulness of reconsidering the demand-side exemption. FERC’s approval of this exemption was based on “on-going efforts to enhance the manner in which demand response resources participate in the CAISO’s markets” (June 26th FERC Order (ER09-1064-000, pp.21-22)). Re-examination of the demand-side exemption may be warranted, given the significant recent CAISO and utility design work for Demand Response and Participating Load programs, and the expected increasing amount of demand-side resources (and higher proportion of RA Qualifying Capacity (QC)) likely to come from those resources in the next few years.

However, the likelihood that the intermittent-resource exemption can be productively addressed any time soon seems remote, despite FERC’s direction to the CAISO to work toward ending that exemption. The CPUC just adopted a new intermittent-resource QC methodology last June (D.09-06-028), substantially similar to that recommended by the CAISO, that: (1) continued the “double-counting” problem present in the prior methodology; and (2) significantly reduced intermittent-resource QC MWs, especially for the wind-energy plants that will likely comprise most of the intermittent-resource energy on the CAISO system for the next few years.

Thus, unless the CPUC decides to significantly modify a methodology it just adopted, after a long and highly contentious proceeding, the “double-counting” problem preventing application of these SCP provisions to intermittent resources will continue. While CalWEA and the LSA would welcome the chance to revisit the adopted QC methodology, there have been no indications from the CPUC that the issue will be revisited in the near future.

Moreover:

- ***The very low QCs assigned to intermittent resources will significantly reduce any benefit from applying the RA SCP framework to such resources.***
- ***The CPUC methodology effectively accomplishes the same thing for intermittent resources as the SCP incentive/penalty framework for other generation resources*** – incent high availability to the CAISO market. Under the new CPUC methodology, the QC for an intermittent resource depends directly on its output during a set of high-value hours. Thus, unlike demand-side resources, there is no substantive urgency to modify the intermittent-resource SCP exemption.
- ***There are complicated implementation issues associated with extending the SCP availability incentive to intermittent resources.*** For example, any availability incentive should only apply during periods when the intermittent resource is capable of operating (e.g. when the wind is blowing or the sun is shining). This will require data on resource availability (i.e. wind speeds and solar insolation) as well as mechanical availability.

Further, given the CPUC-adopted exceedence method for determining intermittent-resource QCs, many forced outages will have no impact on an intermittent resource's available RA capacity if the outage does not reduce the unit's output to a level below its QC (which is very low for wind resources, for example). Clearly, the SCP availability incentive should not penalize resources for forced outages that do not reduce their available RA capacity. Devising an availability incentive for intermittent resources that distinguishes between forced outages that reduce RA capacity and those that do not would be a complex matter.

- ***RA capacity tradability is less of an issue for intermittent renewable resources than for other resources.*** One fundamental purpose of the SCP is to encourage RA capacity trading in California. The June 26th FERC order states in its second sentence that “the SCP will facilitate the selling, purchasing, and trading of resource adequacy capacity.”

However, RA capacity from intermittent resources will not likely be an attractive source of tradable RA capacity. The RPS credit is usually the primary motivator for a utility purchase from an intermittent resource, not the RA capacity, and the latter is usually contractually dedicated to the purchasing utility. Moreover, as mentioned above, intermittent-resource RA capacity value is low under the new CPUC methodology, and it is subject to change each year based on historical resource performance. As a result, this effort to extend the SCP RA framework to these exempt resources is not critical to the success of the SCP initiative.

Thus, we repeat our recommendation from the MIR process that intermittent resources be removed from the scope of this effort, at least until there is some evidence that the CPUC will entertain the necessary significant changes to its QC counting methodology for such resources. The FERC order found that, “as long as this counting feature of the market continues, we find the proposed exemption to be permissible and not unduly discriminatory,” and the CAISO should proceed on that basis.