

California Independent System Operator  
Basis and Need for CPM Designation of Sutter Energy Center

**Comments of the California Wind Energy Association  
on the December 6, 2011 CAISO Report on  
Basis and Need for CPM Designation of Sutter Energy Center**

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### **Summary**

The California Wind Energy Association appreciates the opportunity to comment on the California Independent System Operator's (CAISO) December 6, 2011, Report on the "Basis and Need for Capacity Procurement Mechanism (CPM) Designation of Sutter Energy Center." In this report, the CAISO, after presenting some background information about the Sutter Energy Center (SEC), seeks stakeholder input on the following:

- CAISO's plan to file at FERC a request for waiver of the requirement in Section 43.2.6 of the CAISO Tariff that the reliability need for a risk-of-retirement CPM designation must be shown for "the end of the calendar year following the current RA Compliance Year." CAISO wishes to use such a waiver to offer SEC a short-term CPM designation.
- CAISO's plan to launch a new stakeholder process on long-term capacity procurement by the CAISO.

In summary, CalWEA's comments are as follows:

1. CAISO should take the necessary steps to keep SEC operational at least until the CAISO's renewable integration studies have been properly completed, and appropriate mechanisms are in place to secure the capacity that is deemed needed.
2. We support CAISO's call for a new stakeholder process to discuss the appropriateness of the CAISO directly procuring long-term capacity resources and potentially the process for doing so.

## 1. CPM Designation for the Sutter Energy Center

CalWEA supports CAISO's plans to keep the Sutter Energy Center operational in the short run and until such time as there is general consensus among the stakeholders that the CAISO's renewable integration studies, currently underway, are properly completed and the level of system flexibility needs and needed new resources are reasonably known. CalWEA agrees with the CAISO's concern that many factors could negatively impact the reliability of the power grid within the decade. Most notably, such factors include:

- Retirement of a large number of once-through-cooling (OTC) generators;
- Increase in demand;
- Continued inflexibility of nuclear and other must-run and must-take resources (including existing renewables);
- Continued prevalence of self-scheduling in the CAISO market;
- Continued reliance on hourly scheduling of resources in the CAISO footprint up to 38 hours before actual operation;
- Continued reliance on hourly scheduling of imports into the CAISO footprint up to 38 hours before actual operation; and
- Large additions of new renewable resources.

CalWEA believes that compromising the reliability of the California power grid, in light of the aforementioned factors, could irreparably harm the successful rollout of renewable generation resources needed to meet the state's environmental and economic policy goals. At the same time, as CalWEA has consistently advocated, we believe that the CAISO should strive to meet the reliability needs of its Balancing Authority Area (BAA) in the most cost-effective fashion. It is within this context that CalWEA supports retaining the services of highly efficient and highly flexible existing gas generators, such as Sutter Energy Center, at least until such time as the CAISO renewable integration studies that are currently underway reach reasonably satisfactory conclusions and the true need for system flexibility within the CAISO BAA is reasonably known.

Further, we believe that existing efficient gas capacity could help reduce the need for transmission upgrades. We are observing a very disturbing trend in the CAISO's Generation Interconnection Process (GIP) where studies are showing a need for massive ratepayer-funded transmission upgrades ("Deliverability Network Upgrades") that are associated with significant in-service delays and permitting uncertainties. These upgrades are needed to make the Resource Adequacy (RA) capacity credit from interconnecting renewable resources available to their off-taking Load Serving Entities (LSEs) within the CAISO footprint. CalWEA believes that a careful analysis should be jointly performed by the CAISO and the CPUC to determine whether the RA capacity value of retiring highly efficient generators, such as the Sutter Energy Center, could help alleviate the need for such massive transmission upgrades at lower cost. Of course, we also believe that, to the extent that transmission upgrades are needed to reasonably prevent the curtailment of interconnecting renewable resources, proper studies should be

performed to identify those upgrades, through the RTPP and/or GIP process. We expect, however, that such upgrades would be significantly smaller in size than the Deliverability Network Upgrades.

## **2. Kick Off of a New Stakeholder Process to Procure Long-term Capacity**

In line with our comments above, CalWEA sees a role for the CAISO in creating a process to supplement the CPUC-administered RA capacity procurement process and, hence, we support the kick off of a new CAISO stakeholder process to address such a role. At least in the short term, a timely process should be put in place for the CAISO to inform the CPUC of the characteristics of RA capacity resources that should be procured through the CPUC-administered RA capacity procurement process. Over the long-term, the CAISO and the CPUC should work with the stakeholders to consider how best to meet the following objectives:

- Retaining the services of efficient existing plants that are left with no method of economic subsistence;
- Ensuring that RA capacity meets strict efficiency, emission, and flexibility standards; and
- Ensuring that RA capacity meets scheduling and economic bidding obligations similar to or exceeding those of current RA resources.