



CAISO

Resource Adequacy Deliverability for  
Distributed Generation

**Clean Coalition comments on  
Compliance with FERC Order issued 11/16/12**

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April 10, 2013

## **I. Introduction**

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to local energy systems through innovative policies and programs that deliver cost-effective renewable energy, strengthen local economies, foster environmental sustainability, and enhance energy security. To achieve this mission, the Clean Coalition promotes proven best practices, including the vigorous expansion of Wholesale Distributed Generation (WDG) connected to the distribution grid and serving local load.

The Clean Coalition drives policy innovation to remove major barriers to the procurement, interconnection, and financing of WDG projects and supports complementary Intelligent Grid (IG) market solutions such as demand response, energy storage, forecasting, and communications. The Clean Coalition is active in numerous proceedings before the California Public Utilities Commission and other state and federal agencies throughout the United States, in addition to work in the design and implementation of WDG and IG programs for local utilities and governments.

## **II. Summary of our comments:**

- The Clean Coalition strongly supports the ISO in efforts to publish available deliverability and recognize the deliverability of many distributed generation facilities.
- We strongly support the proposed preservation of allocated potential Distributed Generation Deliverability (DGD) through the following study cycle to support predictability and efficient facility site planning.
- However, we are deeply concerned that assignment is unrealistically

capped at levels anticipated in the adopted Base Portfolio planning scenario, which does not match actual development, thus **severely limiting the value of the ISOs efforts.** This artificial limitation on allocation increases costs borne by ratepayers. We recommend not imposing the Base Portfolio assumption to limit assignment of available deliverability status (DS) capacity to applicants.

- We support and recommend allocating deliverability only to projects requesting it, and do not support the proposed automatic allocation of deliverability to projects already engaged in deliverability studies.
- We recommend limiting the allocation of DS under the DGD study to projects with a COD within three years to incorporate the advantages of the ISO straw proposal in a FERC compliant “first ready, first served” modification. This will help to ensure DS is allocated to viable projects that will benefit substantially from this alternative to the existing deliverability request process, and avoids allocating deliverability to stale projects that entered the queue prior to the application of current deadline and milestone requirements.

### **III. Discussion:**

The Clean Coalition strongly supports the ISO in efforts to publish potential distributed generation deliverability (DGD) and available deliverability status (DS) and recognize the deliverability of many distributed generation facilities. The study methodology employed is appropriate and the results are very useful. We particularly commend the ISO for publishing the total megawatts of DG actually deliverable at each node studies, including those nodes in which no DG was anticipated in the Base Portfolio. We have serious concerns regarding limits on DS allocation however, as discussed below.

We strongly support the proposed preservation of unassigned delivery for distributed generation (DGD) through the following study cycle to support predictability and efficient facility site planning. As the ISO noted in a previous Straw Proposal for this proceeding, DG is a key element of California's strategy for increasing the share of renewable resource production in the state's annual consumption of electricity. A large portion of these resources will be developed by independent power producers (IPPs) whose offered price of energy will depend on the cash flows they receive from a project which are highly dependent upon deliverability, in addition to Resource Adequacy (RA) payments. For this reason, the more stability and certainty there can be around Deliverability, the more stability and certainty there will be for the development of renewable resources and distributed generation in California.

Deliverability for DG also benefits the ratepayer as the LSEs will not be required to procure redundant generation and RA from non-DG projects. Any savings realized by simply allocating unassigned deliverability capacity to DG facilities directly benefits ratepayers and their LSEs who would otherwise need

to contract for additional redundant capacity. Recognition of deliverability from DG also helps to capture its locational value and promote the most cost effective development.

We are deeply concerned that allocation is unrealistically capped at levels anticipated in the adopted Base Portfolio planning scenario, which does not match actual development, thus severely limiting the value of the ISO's efforts. This artificial limitation on allocation increases costs borne by ratepayers.

The problem is that the allocation as proposed is only offers the amount anticipated in the state's adopted "Base Portfolio" planning assumptions. As a result, where there is available deliverability and greater existing or pending WDG than anticipated, the allocation ignores what's actually happening and leaves these projects high and dry, or at least throwing them into a long and proportionately expensive process to allocate deliverability that they already know is available - but might not be by the time new studies are completed half a year after the annual application window.

While we encourage the use of common planning assumptions for consistency and comparability across studies, the assumptions contained in the Base Portfolio are clearly and grossly inaccurate at the nodal level and should not be applied to actual allocation or assignment of deliverability. Such an approach inhibits use of existing capacity and undermines the purpose of this valuable initiative, especially when roughly 25% of the nodes in the ISO system will be prohibited from allocating any Deliverability Status (DS) simply because no DG was included in the Base Portfolio. The Base Portfolio scenario was not developed for the purpose of limiting the allocation of unused DGD capacity and it is fundamentally flawed to employ it in this manner.

To illustrate the degree of the problem, the ISO study of DGD capacity in

SCE territory shows that only 15% of available unassigned DGD capacity would be made available to DG if allocation were limited to the Base Portfolio assumptions. Furthermore, most of that capacity is in areas where DG is not seeking DS, while in areas where there is high demand for available DS, little or none would be released. For example, at the El Nido node, 57 MW of DG are in queue, but the Base Portfolio assumes zero DG in this area and would therefore allocate no DS. At the Valley node, the Base Portfolio assumes development of 6 MW of DG, while 557 MW are actually in queue, and 507 MW of DGD is available. At the Valley node, only 1% of the actual existing DGD capacity would therefore be eligible for allocation, even though the capacity has been built, ratepayers have paid for it, and local generation is queued up to make use of it. This is repeated at one node after another - at Vista, Delmano, Etiwanda, Hinson, Mira Loma, and many more.<sup>1</sup>

ISO staff have noted that changes in the planning scenarios can be made through CPUC proceedings, however that is an uncertain and potentially multi-year process, and even then a change in planning portfolios will not address the failure to match unanticipated DG with available DGD. The ISO should correct this issue now, this year, rather than implement this flawed and severely restricting artificial cap on DGD allocation.

**We strongly recommend releasing available DGD capacity up to the quantity demonstrated by applicants.** This does not involve reserving DGD capacity above planned DG levels where not requested by applicants. No additional studies will be required, the available DGD at each node has already

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<sup>1</sup> CAISO – ‘DG Deliverability Study Results - Potential DG worksheet SCE March 2013’

<sup>2</sup> FERC explicitly states that “there may be approaches to prioritizing queue processing that provide protection against discrimination comparable to the first-come, first-served approach, but that are more efficient. For example, there may be merit in a first-ready, first-served approach, whereby customers who demonstrate the greatest ability to move forward with project development are processed first”. 122 FERC ¶ 61,252 Docket No. AD08-2-000 P 18. [In relation to Order No. 2003 at P 147 & P 185, and order No. 2006

been determined, and any assignment of DGD to applicants will be fully reflected in the next portfolio and subsequent transmission planning process.

This is an extremely important issue and we encourage the ISO to engage as needed with the CPUC and CEC to address this single critical point quickly and simply. We should be able get it done right without significant delay.

On other issues, we support allocating deliverability only to projects requesting it, in contrast to the proposed automatic allocation of deliverability to projects already engaged in deliverability studies. Such automatic allocation may direct large quantities of assignable DS that is already accounted for in the cluster process and subsequent DGD study. This double counting will make all such DGD capacity unavailable to other queued DG facility applicants until reallocated the following year, if it is even still available, thereby undermining the intent of the DGD process.

We also recommend limiting the allocation of DS under the DGD study to projects with a COD within three years in order to ensure DS is allocated to viable projects that will benefit substantially from this proposed alternative to the existing deliverability request process. FERC does allow “first ready, first served”<sup>2</sup>, as currently employed by the Midwest ISO. This also avoids allocating deliverability to stale projects that entered the queue prior to the application of current deadline and milestone requirements. As CAISO noted in its presentation at the CPUC on January 23, 2013, an expected online date approach

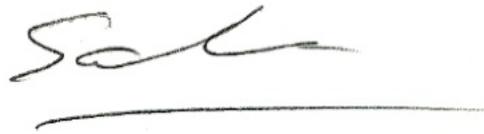
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should help avoid issues associated with a simple queue position approach, including queue squatting, dropouts and project delays.

Again, we commend the ISO on its response to this issue and, with the noted amendments, strongly support this initiative.

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A handwritten signature in black ink, appearing to read 'Sahm', with a horizontal line underneath it.

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