BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company for Approval of Three Power Purchase Agreements With Existing Qualifying Facilities and Associated Cost Recovery.	Application 10-10-004 (Filed October 8, 2010)

COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON PROPOSED DECISION OF ALJ YACKNIN

The California Independent System Operator Corporation submits these comments in support of the proposed decision issued by Administrative Law Judge Yacknin on February 8, 2011 in this proceeding.[1] The proposed decision would approve the October 8, 2010 filing by Pacific Gas and Electric Company of an application for approval of three power purchase agreements with existing Qualifying Facilities. The proposed decision specifies that the three proposed power purchase agreements include provisions requiring the QFs to comply with the requirements of the ISO tariff.[2] Accordingly, the ISO supports Commission approval of these agreements.

I. COMMENTS

The ISO supports provisions of the three proposed new power purchase agreements that would require the QFs to comply with the requirements of the ISO tariff. This is consistent with the requirement of Commission Decision 07-09-

[1] These comments are submitted pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure.
[2] The ISO is sometimes also referred to as the CAISO.

040, issued September 25, 2007, that a signatory to a new QF power purchase agreement must comply with the ISO tariff.

While PG&E has filed the actual terms of the proposed new QF power purchase agreements confidentially, PG&E states in its application:

> The PPAs also **require the Sellers to comply with all applicable CAISO Tariff requirements**, including interconnection, scheduling outages, and metering. The CAISO has stated a strong desire to have QF contracts updated to comply with CAISO Tariff and interconnection requirements.[9] [[9] *See* D.07-09-040 at pp. 133-135 (describing CAISO regarding QF compliance with CAISO Tariff requirements).][3]

Regarding this representation by PG&E, the proposed decision provides:

> The power purchase agreements also require the sellers to comply with all applicable CAISO tariff requirements, including interconnection, scheduling outages, and metering, consistent with the Commission's policy to better integrate QF resources into the CAISO tariffs and deliverability standards. (See, e.g., D.07-09-040 at 210-211.)[4]

Given this representation by PG&E and its reinforcement in the proposed decision, the ISO supports the provisions of the three power purchase agreements that require compliance with the ISO tariff.

PG&E also states in its application:

> Under the proposed PPAs, PG&E will be able to schedule the Double C, Sierra and Kern Cogen facilities as needed and when it is economic to do so. In addition, the PPAs include provisions that require the Sellers to notify PG&E of available capacity, and changes in available capacity, so that **PG&E is able to more accurately forecast and schedule the output of these facilities**. Accurate scheduling and forecasting are important for the reliable operation of the CAISO-controlled transmission system.[5]

The ISO supports measures to improve the accuracy of advance forecasts of QF generation scheduled and delivered to the grid. The ISO believes the movement

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[3] PG&E application at p. 8 (emphasis added).
[4] Proposed decision at p. 7.
[5] PG&E application at p. 8 (emphasis added).

toward increased accuracy in generation forecasting and more accurate scheduling is particularly relevant in light of the ISO's recent implementation of its market redesign and the dramatic increase expected in intermittent renewable resources, which will increase the ISO's challenge to maintain reliability of the grid.

The ISO also strongly encourages QFs as well as their contractual partners, such as PG&E as an ISO-certified Scheduling Coordinator in this case, to distinguish between output that is not dispatchable and the output that is dispatchable and make that dispatchable capacity available to the ISO through the provision of ancillary services and economic bids for energy. To this end, the ISO is currently engaged in stakeholder efforts to develop tariff changes that distinguish between dispatchable and nondispatchable capacity. QF output that is dispatchable should not be "locked up" due to contractual or special pricing provisions of these new contracts. QFs play a vital role in the economy and environmental goals, and can also play a vital role in reliable management of the grid as we all adapt to increased penetration of intermittent resources.

II. CONCLUSION

The ISO thanks the Commission for its consideration of these comments and urges the Commission to adopt a decision in this proceeding requiring provisions in PG&E's proposed three new QF power purchase agreements mandating compliance by the QFs with the requirements of the ISO tariff and otherwise reflecting these comments.

Respectfully submitted,

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Dated: February 28, 2011

CERTIFICATE OF SERVICE

I hereby certify that on February 28, 2011 I served, by electronic and United States mail, a copy of the foregoing COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON PROPOSED DECISION OF ALJ YACKNIN to each party in Docket No. A.10-10-004.

Executed on February 28, 2011
at Folsom, California

/s/ Anna Pascuzzo
Anna Pascuzzo

An Employee of the California
Independent System Operator