BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Applying the Market Index Formula and As-Available Capacity Prices Adopted in D.07-09-040 to Calculate Short-Run Avoided Cost for Payments to Qualifying Facilities Beginning July 2003 and Associated Relief.	Application 08-11-001 (Filed November 4, 2008)
And Related Matters.	Rulemaking 06-02-013 Rulemaking 04-04-003 Rulemaking 04-04-025 Rulemaking 99-11-022

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

The California Independent System Operator Corporation submits these comments in support of the proposed decision issued by Administrative Law Judge Wetzell on November 16, 2010 in these proceedings.[1] The proposed decision would approve the "Qualifying Facility and Combined Heat and Power Program Settlement Agreement" filed on October 8, 2010 by Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company, The Utility Reform Network, California Cogeneration Council, Independent Energy Producers Association, Cogeneration Association of California, The Energy Producers and Users Coalition, and the Division of Ratepayer Advocates." The settlement includes four proposed pro forma power purchase and sale agreements for qualifying facilities (QFs) and combined heat

[1] These comments are submitted pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure.

and power facilities (CHPs) and other provisions resolving outstanding matters in these proceedings.

I. COMMENTS

The ISO supports the provisions of the four proposed pro forma QF/CHP power purchase and sale agreements as consistent with the requirement of Commission Decision 07-09-040, issued September 25, 2007, that a signatory to a new QF/CHP power purchase and sale agreement must comply with the ISO tariff.[2]

The settlement also includes an agreement between the ISO and the utilities whereby the ISO has agreed to provide QFs and CHPs and their scheduling coordinators temporary exemptions from compliance with certain ISO revenue metering and telemetry requirements for up to 180 days following execution of one of the new pro forma QF/CHP power purchase and sale agreements.[3] The ISO has entered into this agreement in order to provide a reasonable period during which QFs and CHPs can take appropriate actions to transition from their current circumstances to full compliance with the ISO's tariff requirements pursuant to the new pro forma QF/CHP power purchase and sale agreements. The ISO supports this transition period as specified in the ISO's agreement.

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[2] The ISO particularly supports the following sections of the pro forma QF/CHP power purchase and sale agreements as consistent with that requirement: 1.03, 1.08, 2.01(b)(iii), 2.01(c), 2.01(d), 2.01(f), 2.01(g), 3.02(c), 3.05, 3.06, 3.07(d) or (f) (subsection relating to compliance with ISO interconnection process; varies by agreement), 3.08(a), 3.09, 3.15(a), 3.15(d), 3.18, and 3.21.

[3] The ISO's metering and telemetry requirements are established pursuant to sections 10 and 7.6.1(d) of the ISO tariff, as is the ISO's authority to grant exemptions from those requirements.

Further, while the ISO does not take a position on the details of the provisions of Exhibits I and K of the new pro forma QF/CHP power purchase and sale agreements, the ISO supports measures to improve the accuracy of advance forecasts of QF/CHP generation scheduled and delivered to the grid. The ISO believes the movement 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 greatly complicate the ISO's ability to maintain reliability of the grid.

As noted above, the ISO supports the intent of Exhibits I and K but recognizes that many QFs and CHPs are not able to have as much control over their electrical output as other ISO participating generators due to their obligations to their thermal hosts. The ISO is open to engaging with the QF and CHP community, and the broader stakeholder community, to consider possible tariff changes that would take into consideration the operational limitations and circumstances affecting QFs and CHPs, particularly in light of the ISO's new locational marginal pricing market design, while still requiring QFs and CHPs to submit bids and self-schedules as accurately as possible.

The ISO strongly encourages QFs and CHPs as well as their contractual partners 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. The ISO's stakeholder efforts will pursue proposed tariff changes that distinguish between dispatchable and nondispatchable capacity. QF and CHP output that is dispatchable should not be "locked up" due to contractual or special pricing provisions of these new contracts. QFs and CHPs 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 these proceedings that reflects these comments.

Respectfully submitted,

By: */s/ Michael D. Dozier*
Nancy Saracino
General Counsel
Sidney Davies
Assistant General Counsel
Michael D. Dozier
Senior Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7048
Fax: (916) 608-7222
mdozier@caiso.com

Attorneys for the California Independent
System Operator Corporation

Dated: December 6, 2010

CERTIFICATE OF SERVICE

I hereby certify that on December 6, 2010 I served, by electronic and United States mail, a copy of the foregoing COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON PROPOSED SETTLEMENT to each party in Docket Nos. A.08-11-001, R.06-02-013, R.04-04-003, R.04-04-025, and R.99-11-022.

Executed on December 6, 2010
at Folsom, California

/s/ Anna Pascuzzo
Anna Pascuzzo

An Employee of the California
Independent System Operator
Corporation