

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations

Rulemaking 11-10-023
(October 20, 2011)

**COMMENTS OF MONTAUK ENERGY ON JANUARY 23,
2013 RESOURCE ADEQUACY WORKSHOP IN
ACCORDANCE WITH PHASE 2 SCOPING MEMO**

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Pursuant to the procedural schedule set forth in the Phase 2 Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge issued by the Commission on December 6, 2012, (“Scoping Memo”), Montauk Energy Holdings, LLC (“Montauk”) respectfully submits its comments related to the workshop held on January 23, 2013. Montauk’s comments are limited to the issue of determining Resource Adequacy rules for generation interconnected at the distribution level. Montauk has no comments on the Flexible Capacity issue at this time, but reserves the right to provide reply comments.

I. Opening remarks

As an owner, operator and developer of landfill methane to renewable energy projects for over 20 years, Montauk is developing a 20 MW landfill gas generation project at the Frank R. Bowerman Landfill in Irvine, California, that will be connected to the Southern California Edison (“SCE”) distribution system. Montauk has been encouraged by the initiative of California Independent System Operator (“CAISO”) to develop a streamlined

method for generation resources interconnected at the distribution level to be designated a deliverable to be able to provide resource adequacy capacity. As was pointed out in the Scoping Memo¹, the Federal Energy Regulatory Commission (“FERC”) issued an order² on the proposed tariff language. The order approved the CAISO’s proposed mechanism for establishing potential deliverability, but ordered the CAISO to allocate the resulting deliverability to Load Serving Entities (“LSEs”) rather than to local regulatory authorities as proposed by the CAISO. As a result, the CAISO must re-define its allocation methodology to comport with the FERC order. CAISO is currently required to submit a compliance filing on February 14, though it did not post a final proposal on February 4 as expected.

In its Issue Paper³, the CAISO has identified three potential approaches to allocating what it estimates to be up to 1,000 MW of distributed generation deliverability (“DGD”). Approach 1 and 2 would each make deliverability available to distributed resources on a first-come first-served basis based on interconnection queue position with added benchmarks to account for project viability. Approach 1 would allow LSEs to count potentially deliverable DG toward their resource adequacy requirement but only up to their load ratio share, effectively limiting the ability of LSEs, particularly small LSEs, to count resources they might have under contract if the capacity exceeds their “share.” It would appear to require some kind of revision to the Commission’s RA process to account for the rationing process. It would also make it possible for resources identified as potentially deliverable by the CAISO to have their RA capacity stranded because they

¹ R.11-10-023, Phase 2 Scoping Memo and Ruling, page 3.

² 141 FERC ¶ 61,132

³ <http://www.caiso.com/Documents/ResourceAdequacyDeliverability-DistributedGenerationIssuePaper.pdf>

contracted with the “wrong” LSE.

If the CAISO implements Approach 2, it does not appear that any action would be needed on CPUC’s part to implement. The CAISO would simply assign deliverability to resources, all of which, once in service, could count for resource adequacy regardless of the LSE they contract with; basically the mechanism in place for all other potential RA capacity located within the CAISO.

The third approach identified is based on the mechanism used to assign RA capacity on interties. Rather than assign deliverability to specific external resources, which is not a feasible practice for external resources not committed to serve CAISO load, the CAISO determines the potential deliverability at interties and allocates that deliverability to LSEs based on a fairly complex multi-step process. Approach 3 would use the same type of process to make DG deliverability available to LSEs which would then assign it the eligible distributed generation of their choice. Any DG resource wishing to obtain permanent deliverability would be in the same situation it is in today – required to participate in the CAISO’s costly and time-consuming interconnection process in order to obtain deliverability. Under Approach 3, the Commission would need to develop rules and processes for the annual allocation of continually changing levels of deliverability to LSEs.

The CAISO believes that implementing either Approach 2 or 3 would require a §205 filing with FERC which would make it difficult to implement and make the capacity available for 2014. Because it has not yet completed its initial analysis of available potential deliverability, the CAISO has not identified how much potentially qualifying DG would be on line in 2014. Therefore, it is difficult to determine whether

the impact of delaying implementation of the DGD mechanism until 2015 would have a significant impact on the 2014 RA process. Montauk believes that implementing an approach that does not require changes to the Commission's existing RA program (Approach 2) is worth a possible one-year delay in making a currently unknown amount of DG resources deliverable for 2014.

II. Response to ALJ Questions

At the January 23 workshop, ALJ Gamson requested that parties respond to several questions in these comments. Montauk's responses are limited to the DGD issue.

1. Does Commission need to make decision this year on either of these issues?

As discussed above, it appears that Approach 2 to allocation of DGD could be implemented without requiring any specific activity on the part of the Commission. Approaches 1 or 3, on the other hand, are likely to require some kind of Commission instruction to establish rules for LSEs to obtain their share of capacity from DG resources (Approach 1), or to establish rules for LSEs to retain RA deliverability for resources within the CAISO, something currently only done for import deliverability and is applicable to resources that do not qualify for resource-specific deliverability. Either approach would create additional work requirements not needed to implement Approach

2. If so, should it be a policy decision or an implementation decision?

Both approach 1 and approach 3 would add components to the RA program that could require policy decisions on the part of the Commission. Under the current RA program any LSE could obtain RA capacity from any deliverable resource, the only limitation being a requirement to obtain some level of resources in specified local areas. The

CAISO proposals in Approach 1 or 3 would require development of some kind of mechanism to track each LSE's available share of deliverable DG and limit over-allocation to LSEs that happen to contract with more DG than their share.

3. If a decision is needed, what should it be?

The Commission should inform the CAISO that if it chooses Approach 1 or 3 a Commission decision will be needed to implement the DGD policy, making a 2014 implementation date less likely.

III. Conclusion

Montauk appreciates the opportunity to submit these comments, and looks forward to working with the Commission and other stakeholders in this proceeding going forward.

Respectfully submitted,

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