

## Comments of FPLE

Good Afternoon. I would like to spend my time doing three things. First, I want to impress upon you a sense of urgency. Second, I want to highlight one significant barrier to entry, imbalance charges, that seems to be well within your control today, and third, I want to suggest 5 principles that could guide your reforms.

My name is Mark Smith and I am the Director of Market Affairs for FPL Energy. FPLE is the leading wind power producer in the world with nearly 2,750 net megawatts currently in operation in 15 States, which represents just under 50% of the installed wind capacity in the country.

This moment in time presents a great opportunity for those of us with interests in renewable generation. And when I say, “those of us”, I include the 19 or 20 States that have chartered laws or regulations that require or encourage the development of renewable resources. These RPS requirements in aggregate, suggest that more than 15,000 Mw of incremental renewable generation will need to be developed by 2010. This capacity figure represents nearly three times the existing domestic wind capacity.

The conditions for wind development today are about a 7 on a scale of 1 to 10, higher in the organized, ISO/RTO markets, lower elsewhere. In general, the ISO/RTO markets give a renewable developer two key outcomes necessary for project development and

financial leverage. The first is an exceptional opportunity for access to the grid and counterparties. The second is a reasonable, often, penalty-free settlement of the unavoidable deviations inherent in wind generation.

In the world of ISOs and RTOs, the California ISO's treatment of imbalances in their optional wind program – affectionately known as “PIRP” -- represents the leading practice. Since others will address PIRP, I won't.

In other areas of the country, where ISOs are not operational, we believe the same principles as those embedded in the CAISO design can be implemented. However, this is likely to require changes to Order 888 open access tariffs.

In Order 888, you established conditions allowing for charges for imbalances -- the difference between forward schedules and actual generation. I suggest that wind deviations were not the focus of these provisions, maybe not even envisioned when Order 888 was adopted.

Rather, the conditions of Schedule 4 in Order 888 were designed to create an incentive for exiting resources – primarily dispatchable ones -- to schedule actual generation as accurately as possible – a principle that FPLE supports. In fact, in order to present the highest degree of accuracy in wind scheduling, FPLE supported the

development of state-of-the-art wind forecasting as a required component of the CAISO program.

Nonetheless, the general provisions of Order 888 inflict significant financial damage on those interested in wind development and create a significant barrier to entry. In particular, exposure to the price and volume risks under open access tariffs, such as administrative deviation penalties of up to \$100 per Mwh and the settlement of energy imbalances, can make reasonable project financing impossible.

We believe that now is the time for the Commission to revisit the exposure of imbalance charges on intermittent generation. Specifically, we suggest that tariff revisions be made which:

- (1) Allow for wind scheduling as close as possible to real time, ideally, within one hour – thereby leveraging the improvements in wind forecasting that occur as one approaches real time;
- (2) Ensure appropriate scheduling incentives by requiring that wind generation schedules be based on state-of-the-art wind forecasting;
- (3) Eliminate administrative penalties for all wind schedules submitted in accordance with best-practices wind forecasting;
- (4) Allow expanded volume netting of deviations as suggested in Order 888; and
- (5) Settle deviations, to the extent possible, at market prices.

With these imbalance principles in place, we believe that a significant barrier to entry will have been reduced. These principles will put in place a durable design that may unlock opportunities while respecting the unique characteristics of the fastest growing renewable technology.

Thank You

I look forward to any questions you might have.