

DEPARTMENT OF WATER RESOURCES

CALIFORNIA ENERGY RESOURCES SCHEDULING
P.O. BOX 219001
3310 EL CAMINO AVENUE, SUITE 120
SACRAMENTO, CA 95821-9001
(916) 574-1291



**California Energy Resources Scheduling
Comments on CAISO Updated Straw Proposal for
Standard Resource Adequacy Capacity Product
December 18, 2008**

CERS appreciates the opportunity to comment on the Updated Straw Proposal posted December 4, 2008. CERS has comments on one significant aspect of the Proposal – the treatment of legacy bilateral contracts (grandfathering.) The heart of the issue is avoiding the stranding of an enormous investment in existing bilateral contracts. Attached is a table of existing contracts executed by the State of California during the “energy crisis” to protect ratepayers. The CPUC has authorized PG&E, SCE, and SDG&E to count these contracts as valid for Resource Adequacy. I’m sure there are many more existing bilateral contracts that parties entered into with the expectation that they will be useful in meeting their obligations. CERS requests the CAISO, at a minimum, accept existing State contracts “as is” for the life of the contracts. CERS also requests that performance requirements and/or penalties for these contracts be waived since they already contain performance measures and penalties.

One way of dealing with this issue is to have the SCP rules apply to only those contracts that desire to have the benefits of being easily traded due to their standardization. Thus, SCP could be available to meet RA requirements for 2010, but should not be mandatory, thereby protecting the investment in existing contracts.

If you have questions on these comments, please call Jim Spence at 916-574-0292.