Comments of CFCMA to CAISO
Standard Capacity Product White Paper, February 2009

Submitted by	Company	Date Submitted
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This document presents the limited comments of the California Forward Capacity Market Advocates ("CFCMA") on the CAISO's White Paper: Standard Resource Adequacy Capacity Product of February 6, 2009 ("White Paper"). CFCMA is composed of five member companies: FPL Energy, NRG Energy, Reliant Energy, San Diego Gas & Electric Company ("SDG&E"), and Southern California Edison Company ("SCE"). CFCMA appreciates the thoughtful work behind the revisions to the Straw Proposal discussed in the White Paper and this opportunity to provide further comments on the Standard Capacity Product development. Individual members of the CFCMA are also filing comments concurrently to discuss issues of particular interest to them.

Availability Standard, Charges and Credits

In previous comments, CFCMA has advocated that charges and credits not be balanced monthly, but rather annually, carrying forward charges in excess of credits, or under-funded credits. While CFCMA still prefers an annual approach, we accept that, as long as the RA product is a monthly product, it is not unreasonable for the availability charges and credits to be settled monthly, as well. We hope that, should the CPUC shift to an annual RA product, this issue would be revisited.

CFCMA supports the calculation of the availability standard over the entire RA fleet, excluding Use-Limited Resources (ULRs) and imports. At the recent conference call discussing the White Paper, one commentator raised a concern that using all RA units to establish the metric may result in non-grandfathered resources, which tend to be newer, systematically receiving credits and therefore skewing the effect of the availability standard. We disagree. First, while we agree that older units tend to have a lower *all-hours* availability, availability is measured during *peak* hours, which should reduce any availability difference. Secondly, since availability credits are only paid out from the pool of availability charges, there will be no added costs to consumers even if there are more availability credits to SCP resources than charges. Rather, the credits will be underfunded, but each resource will still have an incentive — albeit slightly muted —to achieve high availability.

Unit Substitution

The White Paper provides details about the process "to allow a supplier of RA capacity that is tied to a specific generating resource the ability to substitute an alternative resource in the event the RA resource is on outage…." CFCMA has several concerns with the outlined procedure.

First, CFCMA wishes to clarify that the right to substitute a resource should not be limited to the circumstance of an outage. An RA supplier may have commercial reasons for preferring to meet its RA commitments from one unit rather than another during the course of a year. For example, a change in local permitting requirements may preclude offers from a particular unit in all hours. Or, it may be commercially prudent to mothball a resource for a season and meet the RA obligation from another resource. In any case, as long as the supplier meets its previously committed RA obligation with eligible MWs, the reason for that substitution should not be relevant to the CAISO.

More broadly, CFCMA is concerned that the CAISO is imposing far higher standards for substitution than it applied in the initial qualification of the capacity resource being substituted out. Any unnecessary impediments to unit substitution increase the risk that the capacity from the substitution unit will be available to the CAISO only at a higher cost through other market mechanisms (like ICPM) or in the worst case not available at all to provide the needed reliability.

- CAISO has not provided sufficient rationale for requiring that pre-qualification occur prior to the beginning of the year. The studies required for pre-qualification should not be so time-consuming that the CAISO cannot deal with *ad hoc* requests as they are made, though it would be the supplier's risk whether the CAISO could complete the evaluation prior to the date on which a substitution was requested. This greater flexibility will not only reduce commercial risk to suppliers but should also reduce the workload of the CAISO: as written, it would be rational for suppliers of local capacity to file extensive requests for pre-qualification each spring to maximize their commercial flexibility and minimize their risk.

- The standard of "electrically equivalent" is far too high a standard in local areas. When LSEs provide their RA supplies to the CAISO, CAISO does not subject these filings to a detailed examination of the electrical system—although CAISO may require that backstop capacity be procured within the local area. By this same standard, any substitution within a local area that would not require the CAISO to procure (additional) backstop capacity should be allowed. This is the standard offered in the White Paper for system RA; it should be applied to local RA, as well.