

**Comments of J.P. Morgan Ventures Energy Corporation**  
**Subject: CAISO's Standard Capacity Product White Paper**

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<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
<i>Steve Greenleaf</i> <i>(916) 802-5420</i>	<i>J.P. Morgan Ventures</i> <i>Energy Corporation</i>	<i>February 20, 2009</i>

J.P. Morgan Ventures Energy Corporation (J.P. Morgan) appreciates this opportunity to comments on the California ISO's (CAISO's) February 6, 2009, Standard Resource Adequacy Capacity Product (SCP) White Paper. J.P. Morgan continues to support the development of a SCP and the objective of finalizing development of the SCP and submitting it for approval by FERC in the first quarter of 2009. J.P. Morgan supports development and implementation of a SCP to facilitate the development of a viable and transparently-priced market for needed capacity. J.P. Morgan believes that development of a SCP, if done correctly, can be an important building block towards establishing a robust long-term resource adequacy program in California.

J.P. Morgan thanks CAISO staff for its willingness to respond to stakeholder comments and concerns and appropriately adapt the CAISO proposal.

Transition Plan

In principle, and as stated in its previous comments, J.P. Morgan supports appropriate grandfathering of existing resource adequacy agreements. J.P. Morgan generally supports the CAISO's revised proposal regarding the treatment of grandfathered contracts (i.e., full grandfathering without condition for contracts entered into prior to January 1, 2009, and application of the SCP to all contracts entered into after January 1, 2009) and the elimination of any "no trade" restrictions for grandfathered contracts.

J.P. Morgan requests that the CAISO clarify in its final proposal the treatment of California Department of Water Resources ("CDWR") Resource Adequacy contracts that are the subject of the California Public Utilities Commission's ("CPUC's") ongoing contract novation proceeding. J.P. Morgan recommends that contracts assigned from CDWR to the Investor Owned Utilities be included in the SCP transition plan and appropriately grandfathered. Finally, J.P. Morgan also requests that the CAISO clarify the application of the CAISO's proposed SCP expanded must-offer obligation to grandfathered resource adequacy contracted resources.

## Target Availability Value and Incentives

J.P. Morgan generally supports the CAISO's proposal to establish a standard target availability value for each month of the compliance year that is based on an assessment of the historic availability of the resource adequacy resource fleet (rather than the historic availability of individual resources) for the prior three years. J.P. Morgan concurs that the establishment of monthly target availability values may be more equitable and may better match outage profiles throughout a compliance year. As stated previously, J.P. Morgan supports the CAISO's proposal to use a rolling 3-year historical average to determine the resource adequacy fleet-wide target availability metric. J.P. Morgan also supports the inclusion of "grandfathered" resources in the calculation of the target availability value since exclusion of such resources (as well as Use Limited Resources and non-resource specific imported RA resources) may inappropriately reduce the pool of resources/data used to set the availability value. Finally, J.P. Morgan supports the CAISO's proposal to settle all penalty and bonus payments in the same settlement month.

## Ambient Outages

As noted previously, J.P. Morgan recommends that the CAISO use and rely on NERC GADS data to support the SCP program. That fact notwithstanding, J.P. Morgan can support the CAISO's proposal to initially rely on CAISO SLiC data so long as the CAISO commits to transition to NERC GADS by a future date certain. J.P. Morgan continues to believe that reliance on a generally-accepted and used data base such as GADS will facilitate collection and analysis of resource performance not only within California but across organized markets. As noted previously, J.P. Morgan notes that section 40.4.5 of the CAISO MRTU Tariff already contemplates use of NERC GADS data to implement a performance criteria program.

Finally, as stated in its previous comments, it is not clear to J.P. Morgan why SLiC "Ambient Card" derates would be counted against a resource's availability for purposes of implementing the SCP. It would appear that such derates should be factored into a resource's Net Qualifying Capacity and thus the amount of capacity available to be sold as resource adequacy capacity. If factored into a resource's NQC, it would appear unnecessary to then count such ambient derates against a resource's availability, since the portion of its capacity associated with the ambient derate could not be sold as resource adequacy capacity in the first instance.

J.P. Morgan also notes that, as proposed, the CAISO's proposal may be difficult to implement. The CAISO proposes to count "Ambient Outages" against a resource's availability except for Ambient Outages caused by "Uncontrollable Forces" and Ambient Outages that are the result of CAISO actions that cause an energy-limited resource to run up against its use limitations. The CAISO defines "Uncontrollable Forces" per the CAISO Tariff and consistent with the standard industry term. However, it remains unclear the extent to which "weather" in general falls within the definition of an uncontrollable force or act of God. While the established definition cites to specific weather extremes (e.g., storm, flood, earthquake, etc.), J.P. Morgan posits that it may

be difficult to determine what weather conditions are “normal”; even slight variations in weather (e.g., ten degrees above normal on a given day) are arguably “uncontrollable” and may have an impact on a resource’s performance capability. J.P. Morgan recommends that the CAISO reconsider this proposal and perhaps simplify the approach by factoring ambient conditions into a resource’s Net Qualifying Capacity.

#### Treatment of Non-Resource Specific Imports

J.P. Morgan supports the CAISO’s proposal to apply an availability standard to resource adequacy imports. Specifically, J.P. Morgan supports the CAISO’s proposal to base a non-resource specific import’s availability on whether such a resource has offered into the CAISO’s day-ahead market. J.P. Morgan agrees that such resources should be required to offer 100% of the time and that transmission derates or outages should not count against an import resource’s availability.

#### Unit Substitution

J.P. Morgan supports the CAISO’s proposal to allow unit substitution. J.P. Morgan also supports the CAISO’s proposal to require “pre-approval” of the resources that may be used for unit substitution. While J.P. Morgan supports the CAISO’s focus on establishing criteria regarding the unit substitution rules for local capacity resources, J.P. Morgan does not agree with the CAISO’s proposal to limit permissible substitutions to resources that are “electrically equivalent (connected at the same bus or otherwise suitable).” J.P. Morgan is concerned that the CAISO’s proposal and proposed criteria goes beyond the definition and qualifying criteria for local capacity resources. While J.P. Morgan understands that CAISO operators may at times request the dispatch of specific resources to provide specific local area needs such as voltage support, since the CAISO’s local capacity criteria is more broadly defined it is inappropriate for the CAISO to apply a more stringent or restrictive criteria in the application of its unit substitution policy.

#### Conclusion

J.P. Morgan very much appreciates the opportunity to submit these comments on the CAISO’s Standard Capacity Product White Paper and the effort of CAISO staff in continuing to move this effort forward and toward a final conclusion and FERC filing.