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Comments of MMC Energy, Inc on the CAISO's Standard Resource Adequacy Capacity Product White Paper.

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MMC Energy, Inc (MMC) appreciates this opportunity to comment on CAISO's Standard Resource Adequacy Capacity Product (SCP) White Paper. MMC continues to support the development of SCP and believes that it can become an integral component of the market development in California.

MMC is concerned with two aspects of the proposed SCP design. The first aspect is the Unit Substitution. At this time it is unclear how the substitution rules will be applied. There are no publicly available documents that show which units are potential substitutions for the unit in question. Also, there is no clear definition of Electrically Equivalent.

From our discussions with CAISO staff it seems that if a unit has sold Local Resource Adequacy Product then the substitution should be from other generators at the same substation at the same voltage level. In some instances it just does not seem practical to substitute under such requirements.

Before an entity enters into a Resource Adequacy contract it has to know the risks associated with such a contract and knowing whether substitution exists for the unit in question is imperative to risk management of the entity. If the substitution does not exist under the criteria described above by CAISO then there has to be a mechanism that deals with such situation or perhaps for such cases the pricing of the RA product should be allowed to be above the cap to compensate the entity for taking additional risk.

It's imperative to realize that when RA is being sold to a Load Serving Entity (LSE) the sale is based on a local area to be served by LSE and not on a bus or a substation or voltage on the line. It would seem to be logical that the seller should be able to substitute with any unit within that local area. The pricing is done per local area not per bus or a substation location. Please also keep in mind that there is a cap of \$40 kW-year for RA products, so pricing per bus or substation may not be feasible in some areas.

The second aspect of concern is Ambient Outages. During the last conference call CAISO staff has stated that a unit should sell its capacity based on a prediction of the worst possible performance during the hottest weather. This approach does not seem to be practical. Nobody can predict weather and it's unclear what the worst case scenario is.

For example if the average temperature for a local area is 78 degrees, with the highest temperature in the last fifty years of 105 degrees the logical step would be to use performance under 105 degrees. What happens if a new heat wave forms and 115 degrees occur? It's unclear what possible worst case scenario should be used. We believe that a standard criteria should be developed for generators to use in their forecast. The criteria should clearly state how a forecast should be performed.



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Also, using a worst case scenario does not seem as the best approach to use because significant amount of generation may underestimate its capacity and “artificial” capacity shortages might occur. Perhaps 1 in 5 years scenario should be used or perhaps CAISO could determine what type of scenario is acceptable for system reliability. There should also be some mechanisms in place to address an extreme 1 in 50 years scenario, however it should be done through the CAISO’s ability to procure additional capacity.

MMC appreciates the opportunity to submit these comments on the CAISO’s SCP White Paper. MMC proposes that all market participants continue working on SCP and develop clear rules and criteria to ensure the transparency of the SCP and its effects on the marketplace.