

Stakeholder Comments Template

Subject: Updating Interim Capacity Procurement Mechanism And Exceptional Dispatch Pricing and Bid Mitigation

Submitted By	Company	Date Submitted
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This template has been created to help stakeholders submit written comments on topics related to the June 9, 2010 “Updating Interim Capacity Procurement Mechanism and Exceptional Dispatch Pricing and Bid Mitigation” Issue Paper and June 16, 2010 stakeholder conference call. The Issue Paper and information regarding this stakeholder initiative can be found at <http://www.caiso.com/27ae/27ae96bd2e00.html>.

Please submit your comments on the items listed below in Microsoft Word to bmcallister@caiso.com no later than the close of business on June 23, 2010.

Your comments on any aspect of this stakeholder initiative are welcome. The comments received will assist the ISO with developing a straw proposal.

Interim Capacity Procurement Mechanism

1. Please provide your thoughts on the duration of the tariff provisions associated with a successor to the Interim Capacity Procurement Mechanism (“ICPM”) and whether the tariff provisions should be permanent, i.e. there would not be a sunset date, or have some specified termination date. If you have a specific proposal, please provide it and indicate the reasons for your proposal.

Whether or not the provisions are permanent depend on the nature of the provisions. If the new capacity payment mechanisms competitively procure capacity such that its value can adjust with market conditions then it may possible to make such provisions permanent. However, if the ISO submits some sort of administrative pricing mechanism then it would be reasonable to revisit that mechanism regularly.

2. Please provide your thoughts regarding the compensation that should be paid for capacity procured under ICPM and Exceptional Dispatch. If you have a specific proposal, please provide it and indicate the reasons for your proposal.

WPTF does not have a specific proposal at this time. WPTF does however believe the ISO should revisit the pricing mechanism in light of several factors including:

- The expected lack of any centralized capacity market;
- The seemingly persistent expected need for capacity services by the CAISO; and
- The recognition that those providing ICPM services may receive little or no market revenues for dispatched energy and that the CAISO's market products have been failing to provide sufficient price signals for new generation. (See for example, the CAISO's Annual Market Performance Report, Section 2.3.)

WPTF does believe the CAISO should consider compensation that will provide new entry signals rather than simply going forward costs.

3. Please provide your thoughts on the ISO's suggestion to broaden ICPM procurement authority through creation of a new category that would allow the ISO to procure capacity for up to 12 months in order to make resources with operational characteristics that are needed to reliably operate the electric grid available to the ISO.

Products should be consistent with the CAISO's needs. However consideration should be given to procurement methods (e.g., annual auction for services, etc.) and to the drivers for such needs (e.g., why the RA program fails to provide sufficient capacity).

4. Please provide your thoughts on the ISO's suggestion to modify the criteria that would be used for choosing a resource to procure under ICPM from among various eligible resources so that it recognizes characteristics such as dispatchability and other operational characteristics that enhance reliable operations.

To the extent that the CAISO finds it productive to differentiate by unit characteristics suggests that different compensation mechanisms may be needed for different applications or product types. As such this should be discussed if CAISO intends to be able to differentiate by unit characteristics. WPTF also believes it will be important for the CAISO to provide information to market participants regarding the relationship between the need for the ICPM designation and the unit characteristics selected.

5. Please provide your thoughts on the appropriate treatment of resources that may be procured through Exceptional Dispatch but then go out on Planned Outage during the period for which the resource has been procured. If you have a specific proposal, please provide it and indicate the reasons for your proposal.

Providing for the choice of either partial compensation or replacement with a like facility seems reasonable.

6. If you would like to identify other issues that you believe should be discussed in this stakeholder initiative, please discuss those issues here.

Exceptional Dispatch

7. Please provide your thoughts on what fair compensation is for non-Resource Adequacy, Reliability Must-Run Contract or ICPM capacity that is Exceptionally Dispatched.

No additional thoughts other than those provided in questions 1-6.

8. Please provide your thoughts on whether energy bids for resources dispatched under Exceptional Dispatch should continue to be mitigated under certain circumstances. If you have a specific proposal, please provide it, and indicate the reasons for your proposal.

Certainly the CAISO needs to address the fact that units are being mitigated for local congestion despite the fact that many of the paths for which the CAISO mitigates have never been tested for competitiveness.

9. Please provide your thoughts on whether to change the categories of bids subject to mitigation under Exceptional Dispatch (Targeted, Limited and FERC Approved) and whether to extend the bid mitigation for the existing categories.

WPTF does not have a position on this at this time.

10. If you would like to identify other issues that you believe should be discussed in this stakeholder initiative, please discuss those issues here.

Other

11. Please provide any additional comments regarding any other topic that you want to address.