

Stakeholder Comments Template

Deliverability of Resource Adequacy Capacity on Interties

| Submitted by | Company | Date Submitted |
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This template is for submission of stakeholder comments on the topics listed below, covered in the *Deliverability of Resource Adequacy Capacity on Interties* Issue Paper posted on March 15, 2011, and issues discussed during the stakeholder conference call on March 22, 2011, including the slide presentation.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to RAimport@caiso.com no later than the close of business on March 29, 2011.

1. Do you have any comments on the overall issue that the ISO is proposing to address? For example, has the ISO adequately framed the issue?

Shell Energy supports the ISO actions to increase the amount of RA available to LSE's on interties.

The ISO has brought a work in progress to stakeholders, and is looking to market participants for input on how this process will benefit the market and how the MIC should be calculated.

The ISO has proposed to increase the amount of RA available on interties, and will announce these values in the June timeframe. The ISO will increase the MIC on some import ties and use the existing 13-step process identified in the tariff to allocate RA intertie capacity.

The ISO has indicated that any increased RA capacity created at the intertie will be available on a going forward basis once it is available. This will allow an LSE which procures generation from a plant outside the ISO service area to have a level of assurance that the RA capacity will be available in future annual allocations.

We heard some market participants on the conference call indicate that this proposal to increase MIC may have only a small improvement in RA procurement activities due to the uncertainty of being allocated RA intertie capacity. For example, if an LSE wanted to procure new renewable generation in an adjacent BA, and contracted for 200 MW with a plant which had firm transmission rights to the ISO scheduling point, and the RA import MIC was increased 200 MW, it would seem like that generator could successfully contract with the LSE. However, due to the allocation process among multiple LSE's, the contracting LSE may only be allocated a fraction of RA intertie capacity needed to claim RA in its compliance filings. Thus, the increased MIC may not be much help to new renewable generation in external BA's seeking offtake agreements. It may be beneficial in the stakeholder meeting to further discuss the benefits of the proposal as currently framed to ensure that the perceived benefits will exist.

The ISO proposal will establish rules that will increase the MIC to allow LSE's to contract for RA capacity for deliverability in FY2013. This has the potential benefit of allowing renewable generators to contract for offtake with LSE's once the new RA import capacity is established at the interties.

A potentially more efficient mechanism for LSE's to procure RA capacity and for generator developers to have certainty in their ability to sell its RA capacity on a going forward basis is to have a mechanism for the NQC to be directly assigned to the generator outside the ISO BAA, and then credited against the MIC. With NQC directly assigned to a generator and having assured delivery, the generator will be able to obtain financing more readily than a less certain annual LSE RA allocation process. Similarly, the increased certainty would allow an LSE procuring that RA capacity to have certainty in knowing how much RA capacity they can include in their forward plans. We recognize that this deviates from the current process, and requires a tariff change. While this may be a lengthy process and may extend into 2012 before resolution, we believe that it is appropriate at this point in time among stakeholders to at least evaluate if this approach will yield a greater benefit to the RA procurement process.

We appreciate the ISO's willingness to look at the success of this process several years down the road and then evaluate the merits of a tariff change, and think that would be important, however, we encourage a discussion of the potential benefits of addressing a tariff change now and how that might impact the schedule for a tariff change and procurement of RA outside the ISO BA.

2. Do you have any suggestions on how this issue might be addressed and resolved? If you have a suggested approach, please describe your proposal and its perceived benefits and provide examples to illustrate your proposal.

The MIC would be revised at some interties based upon criteria to be vetted with stakeholders. For some intertie locations, there is a 0 import capacity value used for

RA calculations, while the flows at these interties are actually negative. It would seem reasonable that the ISO could look at the cause for the regularly scheduled export from these locations and set a new MIC based on the reasons for these exports. For example, when an export is based on ETC's, it would be reasonable for the ISO to use the capacity of the ETC as a basis for the MIC. An alternative solution could be to look at historical flows, which is essentially the process currently used and which is under revision through this process.

3. If you have any additional comments, please provide them here.