

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.

The Six Cities support an open-ended term for the successor to the Interim Capacity Procurement Mechanism ("ICPM") and, therefore, do not recommend a specific sunset date for the successor provisions. However, the ISO should conduct periodic assessments of the successor capacity procurement mechanism. The Cities recommend that such assessments occur on an annual basis, at least initially. In particular, the first such assessment should occur no later than twelve months after the successor mechanism becomes effective in order to provide an opportunity to consider the impact of policies and procedures for integration of renewable resources that are developed during that period.

Depending upon how frequently the successor mechanism is triggered, it may be appropriate to modify the period covered by subsequent assessments.

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.

The compensation for capacity procured under the successor mechanism to ICPM and Exceptional Dispatch should be based upon the going-forward fixed costs for the existing generating units most likely to be procured or dispatched under these mechanisms, plus a reasonable allowance for O&M. It would not be appropriate to establish payments for capacity procured by the ISO under these mechanisms at levels designed to create incentives for development of new capacity resources, because the capacity procured under these mechanisms necessarily will constitute existing capacity at the time of procurement.

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.

The ISO has not yet provided an adequate explanation to justify procurement of capacity by the ISO on an annual basis. Thus far, the ISO has not explained why operational needs cannot be identified so as to enable procurement of the necessary types of resources by load-serving entities. Absent such an explanation, the Six Cities do not support expansion of the ISO's procurement authority.

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.

The Six Cities generally support the concept of permitting the ISO to specify the criteria for procurement of capacity under the successor to the ICPM in a way that will allow the ISO to procure the resources that will best satisfy the ISO's operational needs at the lowest possible cost.

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.

A resource that has been procured through Exceptional Dispatch should not receive a capacity payment for any period during which it is unavailable due to a Planned Outage. The ISO should give the Scheduling Coordinator for such a resource the option of rescheduling the Planned Outage to a time acceptable to the ISO or proceeding with the Planned Outage and forfeiting the capacity payment during the time period covered by the outage.

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

The Six Cities have not identified additional issues at this time.

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.

Non-Resource Adequacy, Reliability Must-Run Contract or ICPM capacity that is Exceptionally Dispatched should receive a capacity payment no greater than a one-month payment based on the capacity price adopted for the successor to the ICPM. As noted above, that price should be based upon the going-forward costs for existing capacity, plus a reasonable allowance for O&M. Further, the Six Cities recommend that the ISO analyze the historical payments to resources that have been Exceptionally Dispatched to evaluate whether the minimum one-month payment under the current tariff provisions has resulted in unreasonably high payments to Exceptionally Dispatched resources.

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.

Energy bids for resources dispatched under Exceptional Dispatch should continue to be mitigated whenever such bids may reflect non-competitive conditions.

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.

The Six Cities have not formulated a position on this question at this time but may submit comments following further discussion.

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

The Six Cities have not identified additional issues at this time.

Other

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

The Six Cities have not identified additional issues at this time.