

Stakeholder Comments Template

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

Submitted By	Company	Date Submitted
<p><i>Please fill in name, e-mail address, and contact number of specific person who can respond to any questions about these comments</i></p> <p>Mike Florio mflorio@turn.org (415) 929-8876</p>	<p><i>Please fill in name here</i></p> <p>TURN</p>	<p><i>Please fill in date here</i></p> <p>6/23/10</p>

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.

TURN prefers that the new tariff provisions be permanent unless and until changed at some point in the future, like most other CAISO tariffs. We see no particular reason to reconsider this issue every few years, absent significant market or regulatory changes that indicate that revisions are needed.

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.

TURN supports continuing to base ICPM and ED compensation on the going forward cost of a relatively expensive existing generation unit, with the option for the supplier to file at FERC for a higher cost-justified price. As a rarely invoked backstop mechanism, ICPM cannot plausibly be viewed as a mechanism to incent the construction of new generation. Further, the CPUC has decided that the RPS and LTPP processes will be the primary mechanisms for securing new generation in California. It is not appropriate for the CAISO to adopt a mechanism that is inconsistent with state procurement policy. The adoption of a backstop compensation mechanism that is inconsistent with the adopted Resource Adequacy program would create perverse incentives that could lead to greatly increased reliance on what is now a very limited backstop. Such a result is in no one's best interests.

TURN believes that the current level of compensation for ICPM and ED is generally appropriate, although we would not necessarily be opposed to adopting a mechanism that would allow the price to adjust periodically based on changes in a publicly-available external cost index that is not subject to manipulation by market participants. We strongly believe, however, that the Cost of New Entry (CONE) is entirely inappropriate as a price for backstop procurement, since the mechanism is not designed to elicit new entry and the units called are entirely existing generation.

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.

TURN is open to considering such a new category, but the criteria must be clearly and narrowly specified to prevent excessive reliance on such procurement outside the overall RA program.

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.

TURN is generally supportive of the CAISO's suggestion.

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.

TURN believes that the CAISO's suggestions in this regard have merit, but is not offering a specific proposal at this time.

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 --- No comments at this time.

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.
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.
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.
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.