

Stakeholder Comments Template

Subject: Capacity Procurement Mechanism, and Compensation and Bid Mitigation for Exceptional Dispatch

Submitted by	Company	Date Submitted
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This template was created to help stakeholders structure their written comments on topics related to the August 16, 2010 Draft Final Proposal for Capacity Procurement Mechanism, and Compensation and Bid Mitigation for Exceptional Dispatch. Please submit comments (in MS Word) to bmcallister@caiso.com no later than the close of business on September 3, 2010.

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

Overall Proposal

1. Whether you support the overall proposal.

Consistent with our previously expressed positions, WPTF does not support the proposal. In fact we find that the draft final proposal, and the prior stakeholder meeting, provided essentially no substantive weighing of the merits of alternative pricing approaches such as the CAISO's Net CONE approach as modified by WPTF's recommendations.¹ WPTF also finds inconsistencies between the CAISO's position at this time on the ICPM issue and its previous statements made regarding its role in capacity markets where the CAISO indicated that its backstop procurement should reasonably provide benchmark prices for forward contracting. As such WPTF finds little value in providing further substantive details given that the stakeholder process seems to offer little additional substantive value. Nevertheless, WPTF has tried to be responsive to the specific template questions herein, though in a concise manner.

¹ Note that staff in the August 23rd meeting suggested that its Net CONE proposal would not have solved many of WPTF's concerns. WPTF wishes to clarify that WPTF has recommended modifications to the CAISO's net CONE approach in its previous comments and in meetings with CAISO staff to resolve certain of its deficiencies. WPTF is not advocating that the CAISO's Net CONE proposal as originally drafted should be implemented.

Additionally, WPTF requests that the CAISO undertake two additional activities prior to putting forth its final policy for Board approval. WPTF requests that the CAISO ask the MSC to opine on the issue of total compensation and investment, including – for example – competitive issues associated with compensation to new build units versus existing units. (The MSC did provide an opinion at the time of the initial ICPM discussions.) WPTF also requests that the CAISO provide a comparison with other ISO/RTOs that demonstrates long term resource adequacy by considering the reliability metric (e.g., LOLE), installed or unforced capacity requirement, counting rules for capacity, treatment of scheduled outages, backstop capacity procurement, and the cost/penalties for deficiencies.

2. Whether the proposal strikes the appropriate balance among difficult issues.

WPTF does not believe it strikes a balance, no.

Capacity Procurement Mechanism (“CPM”)

3. Whether the tariff provisions should have a specific sunset date or be open-ended.

Especially given that we feel the mechanism will produce ineffective price signals we suggest sunsetting if a more balanced propose is not met.

4. The ability to procure capacity for planned transmission and generator outages or sustained, significant less-than-planned-output of intermittent resources.

As per our previous comments, WPTF does not support a mechanism that procures for deficiencies in the RA program and pays going forward costs only.

5. The proposed treatment of procured capacity that subsequently goes out on planned outage during the period for which the capacity has been procured.

No change to our prior comments.

6. Modification of the criteria under section 43.3 of the ISO tariff for selecting capacity from among eligible capacity.

No change to our prior comments.

7. Procurement of capacity that is needed for reliability and is at risk of retirement.

As per our previously expressed views, WPTF does not support a mechanism that procures for deficiencies in other market-based mechanisms and then only pays going forward costs.

8. The compensation methodology for resources procured under CPM and Exceptional Dispatch.

No change from our previously expressed position.

Exceptional Dispatch

1. Linking compensation for Exceptional Dispatch to the CPM Payment.

No change from our previously expressed views.

2. Extending the existing bid mitigation.

No change from our previously expressed views.

Other

1. Additional comments.

See first #1.