

Southern California Edison

May 17, 2010

To: Board Chairman Mason Willrich, California Independent System Operator (CAISO)
Board Member Kristine Hafner, Ph.D.
Board Member Laura Doll
Board Member Robert Foster
Board Member Tom Habashi
Mr. Yakout Mansour, President and Chief Executive Officer

Subject: Southern California Edison's (SCE's) Concerns with Standard Capacity Product Implementation

SCE supports the CAISO's proposed policy changes for Standard Capacity Product (SCP) 2. However, SCE is concerned the implementation of SCP 2 will exacerbate operational, settlement and compliance-related issues created by the initial roll out of SCP. SCE requests the CAISO commit to address these implementation issues (listed below) prior to implementation of SCP 2. SCE is committed to working with the CAISO and stakeholders to resolve these issues.

Outage Reporting Issues

- Experience has proved the use of SLIC for both SCP availability tracking and as the source for the North American Electricity Reliability Corporation Generating Availability Data System ("NERC GADS") are incompatible purposes and creates obstacles to meeting compliance obligations. The CAISO must provide market participants a means of reporting outages that preserves the integrity of outage reporting for reliability purposes without creating compliance conflicts with SCP. Specific reporting deficiencies that should be addressed are:
 - SLIC currently cannot effectively administer transitions from "forced" to "scheduled" outages as required by the SCP Tariff.
 - SLIC does not allow updates to the cause of a generation outages to reflect information obtained after the initial outage occurred, thus resulting in an inaccurate outage classification for SCP purposes.
 - There is not a mechanism to provide an approved alternative transmission path for the delivery import resources if the primary transmission path has been derated due to an outage.

Resource Adequacy (RA) Related Issues

- Although a Scheduling Coordinator ("SC") can use capacity from multiple units to substitute for a single unit on a forced outage, a single unit cannot be used to substitute for multiple smaller units on forced outages. This effectively results in stranded capacity that cannot be used for other substitutions and, as a result, can increase costs to customers.
- The CAISO's registration process for "grandfathered" SCP resources and the RA Supply Plan do not accommodate RA system resources that can deliver at multiple scheduling points under multiple scheduling IDs, resulting in settlements issues and the inappropriate assessment of penalties for grandfathered resources.
- RA units on scheduled outages are considered "not on forced outage" for SCP purposes and thus are eligible to receive a share of the non-availability charges. Although this is not a software issue, rewarding units on scheduled outages is inconsistent with the intent of SCP which was to incent units to be available.