

**COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS ON THE  
CAISO's FEBRUARY 6, 2009 WHITE PAPER  
REGARDING A STANDARD RA CAPACITY PRODUCT  
*February 20, 2009***

The Alliance for Retail Energy Markets (AReM)<sup>1</sup> appreciates the opportunity to provide comments on the CAISO's white paper issued February 6, 2009, which addresses remaining issues regarding the Standard Resource Adequacy (RA) Capacity Product (SCP). AReM is pleased with the CAISO's progress to complete the SCP work and offers these limited comments on the current proposal.

AReM urges the CAISO to complete the remaining SCP steps as scheduled to ensure implementation of this important market improvement by no later than summer, 2009 for 2010 RA compliance. A FERC filing by early April is crucial to ensure that the FERC approval remains on a timeline that is consistent with the CPUC's Final Decision in Phase 2 of R.08-01-025 approving the use of the SCP for its load-serving entities (LSEs) in RA compliance. The CPUC Final Decision is scheduled for June 18, 2009.

AReM's primary concern with the CAISO's January 8, 2009 Draft Final Proposal focused on the grandfathering provisions. AReM supports the CAISO's modifications to these provisions in the February 6<sup>th</sup> White Paper, in particular its decision to eliminate the "no trading" clause. Further, AReM supports the January 1, 2009 deadline for grandfathered contracts as a reasonable cutoff date. Regarding concerns raised by Southern California Edison (SCE) about the pending novation of DWR contracts, AReM notes that these contracts all have execution dates that precede the cutoff date and novation would not modify those dates. However, whether each and every novated DWR contract should be exempt from the SCP provisions is a matter that need not and should not be addressed in this SCP stakeholder process. Rather, that determination should be made if and when specific terms of the DWR contracts are re-negotiated during the novation process.

AReM also repeats its request that the CAISO include in the NQC list a designation as to whether capacity listed there has been exempted from the SCP provisions. This information is necessary to assist LSEs in their negotiations with suppliers.

AReM previously commented on unit substitution, questioning why the extensive pre-approval process is required or whether a simpler approach could be adopted. In further consideration of this point, the rules for substitution appear unreasonably strict. AReM notes that if generators get burdened with unreasonable or duplicative requirements, costs are increased with no concomitant increase in reliability or efficiency. Since the RA obligation is a forward commitment, it seems that the same standard should apply for determining eligibility to substitute a unit. Imposing a more rigid standard

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<sup>1</sup> AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California's direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

based on current system status at the time the substitution is requested would decrease flexibility and increase cost.

In addition, AReM requests confirmation that the SCP will be available for optional use as soon as the market develops the product. Assuming an April filing date, the FERC decision would be expected by June 2009 and the market could be expected to develop the SCP within one to two months. Therefore, AReM's members would expect to use the SCP, as an *option*, beginning with monthly RA compliance showings in July or August 2009.

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