

DEPARTMENT OF WATER RESOURCES

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**California Energy Resources Scheduling
Comments on CAISO Draft Final Proposal
for
Standard Capacity Product for Resource Adequacy
January 14, 2009**

CERS appreciates the opportunity to comment on the Draft Final Proposal posted January 9, 2009. CERS supports the concept of SCP, but has concerns and comments on one significant aspect of the Proposal – the treatment of legacy bilateral contracts (grandfathering.)

The Draft Final Proposal requires that, in order to be “grandfathered,” each party to the contract must certify “that the availability standards and incentives are at least as robust as those in the tariff provisions for SCP.” The parties to a legacy contract will probably not be able to make such a certification because the availability standards and incentives are not comparable to those outlined in the Proposal. This requirement seems illogical. If the legacy contracts meet or exceed the requirements of SCP, why would anyone request special treatment in the first place? The point of comments to date requesting a transition period is to be able to utilize existing bilateral legacy contracts for Resource Adequacy “as is” for the life of the contracts.

The CERS legacy contracts were signed years ago before the RA concept was put in place. IOU rate payers already pay for this capacity (that counts as RA resources under CPUC direction) through the CERS contracts. The huge State investment in protecting IOU ratepayers ought not to be stranded by SCP. Currently, the need for RA capacity for the 2010 showing is relatively modest, and could be well served by SCP, but preventing legacy contracts from counting as RA will create a huge shortfall. This proposal will require the IOUs to spend additional rate payer money to re-acquire capacity for RA.

CERS, therefore, recommends strongly that the CAISO eliminate the certification requirement as proposed and count legacy contracts for RA for the life of the contracts, subject only to a deliverability determination.

If you have questions on these comments, please call Jim Spence at 916-574-0292.