

Comments on SCP Phase 2

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Dynegy appreciates the opportunity to submit these comments on the CAISO Standard Capacity Product Phase 2 (SCP2) issue paper.

The CAISO has identified the two key issues to address – how to apply the availability provisions of the CAISO’s Standard Capacity Product (SCP) to demand response and to resources whose Net Qualifying Capacity (NQC) values are determined from historical data. Dynegy believes it is critical to apply all of the provisions of a “standard” product to all resources that count towards meeting RA requirements – otherwise, the value of creating a “standard” product is questionable.

As discussed at the CPUC workshop, Dynegy believes that the issue of applying the SCP provisions to resources whose NQC is determined from historical data may be as simple as removing forced outages from that historical data stream. This is the simplest and best solution to this problem. The overall availability of these resources depends on other factors such as weather and steam needs, and the true dependability of these resources cannot be inferred simply from these resources’ mechanical availability. If it could, the NQC values for these resources would not be based on historical data.

Any solution for subjecting demand response (DR) to the SCP availability requirements is much more complicated and problematic, given (1) the fundamental nature of these resources, which requires their performance to be measured by what they don’t consume instead of what they produce or are capable of producing, and (2) the relevant ongoing (DR) proceedings at the CPUC. From the language from FERC’s order on the CAISO’s SCP proposal cited in the CAISO SCP2 white paper, FERC’s willingness to wait for the CPUC processes to play out before subjecting these DR resources to the availability requirements of the CAISO’s SCP is not unlimited. Similarly, Dynegy strongly hopes that the CAISO will move this issue forward in good faith with its market participants and at the CPUC and not allow the inequitable but temporary DR exemption to persist indefinitely.

Dynegy looks forward to the SCP2 stakeholder process and the CAISO’s second six-month report on the progress of these issues due by February 10, 2010.