

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to promote
policy and program coordination and
integration in electric utility resource
planning.

R.04-04-003

**MOTION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR FOR
LEAVE TO FILE SUPPLEMENTAL OPENING COMMENTS ON THE
COMMISSION STAFF'S RESOURCE ADEQUACY WORKSHOP REPORT;
COMMENTS INCLUDED**

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Dated: August 9, 2005

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Order Instituting Rulemaking to Promote)
Policy and Program Coordination and)
Integration in Electric Utility Resource)
Planning)
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**SUPPLEMENTAL OPENING COMMENTS OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION ON THE
COMMISSION STAFF'S RESOURCE ADEQUACY
WORKSHOP REPORT**

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Dated: July 20, 2005

**BEFORE THE
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Order Instituting Rulemaking to Promote)	
Policy and Program Coordination and)	R.04-04-003
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**SUPPLEMENTAL OPENING COMMENTS OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION ON THE
COMMISSION STAFF'S RESOURCE ADEQUACY
WORKSHOP REPORT**

The California Independent System Operator Corporation (CAISO) is filing these supplemental comments on the Commission Staff's Workshop Report (Workshop Report) in order to clarify certain statements made by the CAISO in its initial comments on the Workshop Report, filed July 13, 2005. The CAISO requests that the Commission accept these supplemental comments so as to clarify the record in this proceeding.

In its initial comments on the workshop report, the CAISO made a number of references to "eastern style" or "centralized" capacity markets. A number of those references were to specific features of capacity markets that have been implemented elsewhere (outside of California), and were intended to inform the Commission's deliberation on various specific issues regarding the implementation of a resource adequacy program in California. It is important to clarify, however, that the CAISO is not supporting or advocating for the unequivocal adoption by the Commission of an eastern-market style capacity market. (See, e.g., Workshop Report Response to sec. 2.A.1 (question 3).)

As recently announced by the CAISO, the CAISO is currently undertaking a careful examination of eastern-style capacity markets and other market structures that can support sustainable long-term resource adequacy requirements; requirements that will promote and facilitate new resource investment. The CAISO is aware of concerns raised with respect to the design and performance of capacity markets that have been implemented elsewhere and intends to fully analyze and consider such concerns. The CAISO intends to work closely with the Commission and others over the coming months to consider and fashion the development of a long-term capacity-based resource adequacy requirement that can achieve the state's long-term objectives.

In addition, and prior to the implementation of such a long-term resource adequacy paradigm, the CAISO continues to support a "transitional" resource adequacy mechanism that can be implemented beginning June 2006. As part of that transition, the CAISO continues to support long-term contracting by load-serving entities to support new resource investment. Such contracts may, by necessity, need to be five to ten years in length in order to support the capacity investment needed to serve load over the next several years. For purposes of facilitating such contracting, the CAISO urges the Commission to remain flexible and consider appropriate allocation mechanisms whereby the costs of such contracts are equitably allocated to all load-serving entities that benefit from the addition of such resources. Moreover, the Commission should consider mechanisms to protect the customers of a particular entity from cost shifts should some of that entity's customers switch suppliers in the future.

The CAISO appreciates the efforts of Commission and its staff in furthering the development of viable resource adequacy rules for California. The CAISO requests that

the Commission consider and accept these supplemental comments in order to clarify the record in this proceeding.

July 20, 2005

Respectfully Submitted:

By: _____
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