

Stakeholder Comments Template

Subject: Capacity Procurement Mechanism, and Compensation and Bid Mitigation for Exceptional Dispatch

Submitted by	Company	Date Submitted
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This template was created to help stakeholders structure their written comments on topics related to the July 15, 2010 Straw Proposal for Capacity Procurement Mechanism (“CPM”), and Compensation and Bid Mitigation for Exceptional Dispatch. Please submit comments (in MS Word) to bmcallister@caiso.com no later than the close of business on July 30, 2010.

Please add your comments where indicated responding to the topic or question raised. Your comments on any aspect of the straw proposal are welcome. The comments received will assist the ISO with the development of the Draft Final Proposal.

Please provide your comments on the following topics and questions. Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

CPM

1. The appropriate duration of the tariff provisions associated with the CPM: should they be permanent or terminate on a certain date or under certain conditions? If the CPM should terminate, please be specific about the date or conditions upon which it would terminate and indicate the reasons for your proposal.

NCPA supports the permanent adoption of the CPM if the scope of procurement is reliability based and its use is limited. NCPA’s support for the permanent adoption of CPM is contingent upon further refinement of the scope of CPM (as discussed in comments below).

2. The appropriate treatment of resources that may be procured through CPM or Exceptional Dispatch but then go out on Planned Outage during the period for

which the resource has been procured. What are your views on the proposed formula in the straw proposal for compensating such resources?

NCPA supports this element of the CAISO straw proposal.

3. Modification of the criteria for choosing a resource to procure under CPM (section 43.3) to provide the ISO with the ability to procure non-use limited capacity over use-limited capacity.

NCPA supports this element of the CAISO straw proposal.

4. The three new types of procurement authority for generic backstop capacity the ISO is proposing.

The CAISO straw proposal lacks sufficient information to fully assess the impact of the three new proposed types of procurement authority for generic backstop capacity. For example, the CAISO straw proposal does not address how the costs resulting from these types of procurement will be allocated to the market.

NCPA remains concerned that the three new proposed types of procurement authority are beyond the scope of a capacity backstop mechanism.

- *Procurement of generic capacity to allow planned maintenance to occur*

NCPA requests that CAISO provide additional supporting information, such as the historical frequency of this type of procurement (using exceptional dispatch), to help NCPA further assess whether or not this type of procurement would be more or less frequent. In concept, NCPA does not support extensive use of CPM to manage planned maintenance, but limited use may be acceptable.

- *Procurement of generic capacity to backstop observed less-than-planned output from intermittent resources*

NCPA does not agree that CPM should be used to procure capacity to backstop less-than-planned output from intermittent resources. Rather, Resource Adequacy counting rules established by the CPUC and other applicable regulatory authorities should account for such variability.

- *Procurement of generic capacity of resources that are needed for reliability that are in danger of shutting down due to lack of sufficient revenues*

NCPA does not agree that CPM should be used for this purpose. NCPA believes that resources that are needed for reliability that are in danger of shutting down due to lack of sufficient revenues should be procured under Reliability Must Run ("RMR") contracts or other form contracts used for such purpose. NCPA does

not believe such procurement is consistent with the role of a capacity back stop mechanism.

5. The compensation that should be paid for generic capacity procured under CPM and Exceptional Dispatch. Which method do you support: Option A – CONE net of peak energy rent; or Option B – going forward costs? Are there further modifications needed to either of these pricing options? If you have a specific alternative pricing proposal, please provide it and indicate the reasons for your proposal.

NCPA supports Option B, going forward costs plus a reasonable allowance for O&M. CPM procurement should be limited in nature, and utilized solely to support reliability. Resources procured under CPM will be existing fleet; therefore CPM compensation should be based on going forward costs plus a reasonable allowance for O&M.

6. The need for the ISO to procure non-generic capacity under CPM and Exceptional Dispatch to meet operational needs.

Due to the lack of detail regarding what the category of non-generic capacity is or how it would be used by CAISO, NCPA cannot support procurement of non-generic capacity under CPM at this time.

7. The operational criteria the ISO is proposing to distinguish certain operational characteristics as non-generic capacity (fast ramping and load following). Are these two characteristics enough, or do you propose additional criteria for operating characteristics that would qualify for non-generic capacity?

Due to the lack of detail regarding what the category of non-generic capacity is or how it would be used by CAISO, it would be premature for NCPA to propose or suggest additional operating characteristics at this time.

8. How should non-generic capacity be compensated? What are your views on the proposal to compensate non-generic capacity by applying an adder to the price paid for generic capacity?

Due to the lack of detail regarding what the category of non-generic capacity is or how it would be used by CAISO, NCPA cannot support CAISO's proposal to compensate non-generic capacity by applying an adder to the price paid for generic capacity at this time. The CAISO seems to imply in its straw proposal that non-generic capacity is a distinct and/or unique type of product; therefore a separate mechanism designed for such product may be more appropriate, rather than attempting to force the development of non-generic capacity into the CPM stakeholder process.

Exceptional Dispatch

1. Should energy bids for resources dispatched under Exceptional Dispatch continue to be mitigated under certain circumstances? Should such mitigation continue the current practices of bid mitigation as outlined in the straw proposal?

NCPA believes that Energy Bids for resources dispatched under Exceptional Dispatch should continue to be mitigated under certain circumstances where such Bids reflect non-competitive conditions.

2. Should the ISO change the categories of bids subject to mitigation under Exceptional Dispatch (Targeted, Limited and FERC Approved) and extend the bid mitigation for the existing categories?

No Comment.

3. What is the appropriate compensation for non-RA, non-RMR and non-CPM capacity that is Exceptionally Dispatched? Should the current compensation methodology be extended, updated to agree with what is put in place for CPM for generic capacity procurement?

Non-Resource Adequacy, Reliability Must-Run Contract or CPM capacity that is Exceptionally Dispatched should receive a capacity payment no greater than a one-month payment based on the capacity price adopted in this initiative. As NCPA describes above, such price should be based upon the going forward costs for existing capacity, plus a reasonable allowance for O&M.

Other

1. Do you have any additional comments that you would like to provide?

None at this time.