

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 August 16, 2010 Draft Final Proposal for Capacity Procurement Mechanism, 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 September 3, 2010.

Please add your comments below where indicated. Your comments on any aspect of the proposal are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and the business case.

Overall Proposal

1. Whether you support the overall proposal.

NCPA supports aspects of the proposal, including the decision to base CPM compensation on going-forward costs, but will further enumerate its position regarding elements of the proposal below.

2. Whether the proposal strikes the appropriate balance among difficult issues.

No Comment.

Capacity Procurement Mechanism ("CPM")

3. Whether the tariff provisions should have a specific sunset date or be open-ended.

NCPA supports the current CAISO proposal.

4. The ability to procure capacity for planned transmission and generator outages or sustained, significant less-than-planned-output of intermittent resources.

NCPA believes that CAISO has overstated its authority under Significant Event procurement regarding the situation where the qualifying capacity determination for variable energy resources is not consistent with actual production. This issue should be addressed by the applicable regulatory authority in how it establishes the rules used to calculate Qualifying Capacity. If CAISO determines that variable resources consistently deviate from qualifying capacity determinations CAISO should work with the applicable regulatory authority to develop a revised methodology for calculating Qualifying Capacity to be more consistent with actual production rather than rely on CPM.

5. The proposed treatment of procured capacity that subsequently goes out on planned outage during the period for which the capacity has been procured.

NCPA supports the current CAISO proposal.

6. Modification of the criteria under section 43.3 of the ISO tariff for selecting capacity from among eligible capacity.

NCPA supports the current CAISO proposal.

7. Procurement of capacity that is needed for reliability and is at risk of retirement.

NCPA does not support this aspect of the proposal. NCPA believes that procurement of capacity to financially sustain resources that are in danger of shutting down due to lack of sufficient revenues is beyond the scope of CPM. CPM should only be used on a limited basis to procure capacity needed to support short term reliability needs, and should not be used for this purpose. NCPA believes that this type of procurement, if needed at all, should be done using an alternative mechanism such as the Reliability Must Run contract or a new mechanism developed for this purpose.

8. The compensation methodology for resources procured under CPM and Exceptional Dispatch.

NCPA supports the CAISO's proposal to use going-forward costs as the basis for CPM and Exceptional Dispatch compensation. CPM should not be used or considered as a viable mechanism to incent new generation development; rather CPM is simply a backstop mechanism that should be used only on a limited basis to support reliability.

Exceptional Dispatch

1. Linking compensation for Exceptional Dispatch to the CPM Payment.

NCPA supports the current CAISO proposal

2. Extending the existing bid mitigation.

NCPA supports the current CAISO proposal.

Other

1. Additional comments.