

# 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](mailto: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.

In parallel with this stakeholder process regarding the mechanism and pricing for backstop capacity procurement, the CAISO is conducting a process to establish a replacement obligation on suppliers for scheduled outages on resource adequacy capacity. The CAISO should recognize the relationship between these initiatives, and develop an overall framework that assures long term resource adequacy.

During the discussion at the stakeholder meeting on August 23, we suggested the CAISO do three things:

- a) Provide a thorough analysis of the stakeholder comments that have already been submitted.
- b) Reconcile the CAISO's draft final proposal with the role of the backstop capacity procurement mechanism as a pricing benchmark for forward

contracting as the CAISO described in its comments to the California Public Utilities Commission.<sup>1</sup>

- c) Provide an element by element comparison with the resource adequacy framework employed by other ISO/RTOs – e.g., by considering the reliability metric (e.g., LOLE), installed or unforced capacity requirement, counting rules for capacity, treatment of scheduled outages, backstop capacity procurement, and the cost/penalties for deficiencies.

We still believe the CAISO should complete these steps before it defines a final proposal.

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

It does not appear that the CAISO has given thorough consideration to the comments from stakeholders that have already been submitted.

#### Capacity Procurement Mechanism (“CPM”)

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

The CAISO has described the backstop capacity procurement mechanism as a permanent feature. Other than periodic updates to pricing, it's not clear what benefits accrue to leaving the long term design of a permanent feature unspecified, as regulatory uncertainty inhibits investment.

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

Please see prior comments.

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

Please see prior comments.

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

Please see prior comments.

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<sup>1</sup> For example, in its March 14, 2008 comments filed in R.05-12-013, the CAISO stated that “in the absence of a CCM that provides an efficient capacity price signal based on the cost of new entry in local areas where there is a deficiency and additional infrastructure is needed, a more permanent backstop mechanism would need to take on that role and provide benchmark prices for negotiating forward bilateral RA contracts.”

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

[Please see prior comments.](#)

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

[Please see prior comments.](#)

#### Exceptional Dispatch

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

[Please see prior comments.](#)

2. Extending the existing bid mitigation.

[Please see prior comments.](#)

#### Other

1. Additional comments.

[Please see prior comments.](#)