

CDWR-SWP's comments on the CAISO Draft Final Proposal on Generated Bids and Outage Reporting for Non-Resource Specific Resource Adequacy Resources

June 23, 2010

The California Department of Water Resources State Water Project (SWP) appreciates the opportunity to provide comments to the California Independent System Operator (CAISO) on its draft final proposal "Generated Bids and Outage Reporting for Non-Resource Specific Resource Adequacy Resources" dated June 9, 2010. SWP respectfully submits following comments:

Section 6.2 Outage Policies for NRS-RA Resources

Comments:

- 1) The policy proposal lacks one aspect on outages of NRS-RA resources and that is how substitutions will be provided in the event of outages of a NRS-RA resource. Current rules allow substitutions when internal resources experience an outage. This substitution avoids penalties due to unavailability and makes appropriate and necessary resources available to the grid. Similarly, CAISO rules should provide that an NRA-RA resource that goes in outage could be substituted by an internal or external resource for the system RA requirements just like an internal RA resource. Having a provision that allows for substitution of NRS-RA resource by other resources (internal and external) would hedge suppliers from unavailability charges and at the same time enhance reliability of the CAISO grid. It is to be noted that an NRS-RA resource currently is allowed to substitute for an internal resource for system RA but not vice versa.

Section 6.3 Consideration of Standard Capacity Product (Grandfathering issue)

The CAISO draft final proposal states:

This NRS-RA proposal, outside of the revisions mentioned above, maintains the same market design set forth in the SCP tariff amendment approved by FERC. Non-resource specific system resources are not included in the grandfathering provisions of tariff section 40.9.2 (2) that is currently in effect. This section specifies that capacity must be under a "resource specific power supply contract" to be eligible for grandfathering. There is nothing in the current proposal that modifies this policy. The current NRS-RA proposal simply changes the methodology for determining unavailability for NRS-RA resources; it is not adding a new feature to SCP.

Comments:

- 2) The proposed modifications do alter the status quo in that they treat NRS-RA resources more like an internal and a resource specific resource with regard to SCP standard. Since contracts with resource specific resources are eligible for grandfathering, contracts with NRS RA resources should also be made eligible on an equitable ground. No valid reason has been advanced why this should not be allowed.

- 3) Even assuming that the status quo is being preserved, the CAISO's position that it cannot change the policy making only resource specific power supply contracts eligible for grandfathering appears unjustified. Policies should be changed in order to address valid concerns and making enhancements to the existing system. SWP (and some other parties during the June 16 web conference) expressed the concern that it is unfair for contracts with non-resource specific resources to be not eligible for grandfathering. Moreover, it is wasteful and inefficient not to make the most and best use of capacity under contract—even if the contracts predate and thus could not anticipate new CAISO rules for resource adequacy. The CAISO should first evaluate the validity of these concerns. Only after such an evaluation should it make a decision on changing the policy rather than adhering to the existing policy for no stated reason aside from maintaining the status quo.
- 4) At the time SCP tariff was first approved, stakeholders could not have anticipated changes and developments affecting SCP as applied to their resources and may not have captured all the issues that should have been included. If the CAISO determines that this issue should have been at the first approval of SCP tariff, then it is not too late to consider now as a part of the current proposal. Enhancements and improvements that are valid should always be considered in the proposals that come later. This may be the best time to make changes to the adopted policy after the first approval of the SCP tariff.