

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

May 20, 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 straw proposal "Generated Bids and Outage Reporting for Non-Resource Specific Resource Adequacy Resources" dated April 5 and April 28, 2010. SWP respectfully submits following comments:

1. Straw proposal on generated bid price options: SWP supports the proposal to provide options to choose among negotiated bid option, price taker option, and LMP based pricing option.
2. Grandfathering of Non-resource specific (NRS) system resources: Section 49.2.2, exempting grandfathered capacity contracts from Availability Standards should be revised to preserve the exemption for non-resource specific system resources also if Non-Resource Specific System Resources are going to be newly subject to these requirements including generated bid insertion. An excerpt from the CAISO tariff on SCP exemptions:

40.9.2 Exemptions.

The following exemptions apply to the CAISO's Availability Standards program of this Section 40.9:

(2) Capacity under a *resource specific power supply contract* that existed prior to June 28, 2009 and Resource Adequacy Capacity that was procured under a contract that was either executed or submitted to the applicable Local Regulatory Authority for approval prior to June 28, 2009, and is associated with specific Generating Units or System Resources, will not be subject to Non-Availability Charges or Availability Incentive Payments. Such contracted Resource Adequacy Capacity, *except for non Resource- Specific System Resources*, will be included in the development of Availability Standards and will be subject to any Outage reporting requirements necessary for this purpose. The exemption will apply only for the initial term of the contract and to the MW capacity quantity and Resource Adequacy Resources specified in the contract prior to June 28, 2009. The exemption shall terminate upon the conclusion of the initial contract term. Exempt contracts may be re-assigned or undergo novation on or after June 28, 2009, but the exemption shall not apply for any extended contract term, increased capacity quantity or additional resource(s) beyond those specified in the contract prior to June 28, 2009. Scheduling Coordinators for Resource Adequacy Resources subject to these contracts will be required to certify the start date of the contract, the expiration date, the Resource ID(s), and the amount of Resource Adequacy Capacity associated with each Resource ID included in the contract. (Emphasis added)

This tariff section needs to be revised to preserve the exemption for grandfathered contracts System Resources including non-resource specific resources also These contracts provide valuable capacity but could not have been written with these

new Availability Standards requirements in mind. Such contracts may well not clearly differentiate between resource specific and non-resource specific capacity. For instance, a primary specific resource may be contemplated, with seller substitution rights to support a firm capacity obligation.

The 40.9.2.(2) exemption was initially written to address a “resource specific power supply” because only resource specific supplies were subject to the Availability Standards requirements and in need of exemption. Now that the requirements are being broadened to include generated bid insertion for non-resource specific system resource, the exemption should be broadened as well to include non-resource specific system resource.

3. SWP supports ISO’s parallel consideration of “subset-of-hours” constraints for the CAISO’s internal and resource specific system resources.