

Comments of Shell Energy North America (US), L.P. on CAISO Straw Proposal Standard Capacity Product II January 19, 2010

Submitted by	Company	Date Submitted
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Shell Energy North America (US), L.P. (Shell Energy) appreciates the opportunity to provide comments to the CAISO Straw Proposal Standard Capacity Product II dated January 19, 2010.

Guiding Principles: Shell Energy supports the ISO's efforts to establish a Standard Capacity Product (SCP) which will allow for broader trading of a RA capacity product, which could ultimately be traded through a commercially available trading platform, such as ICE, and which could provide price transparency and tenors which align with a business' risk profile. The ISO should use as a guiding principle the concept to allow supply resources to shift obligation of performance from the contract counterparty to the ISO, while maintaining a similar penalty/reward structure to current CPUC rules.

Replacement Rule Considerations: Shell Energy supports a supplier's requirement to procure replacement RA during a planned outage if the supplier sold RA through a period of a planned outage. However, in the situation of replacing local RA resources, the ISO should allow system resources to provide replacement capacity, as currently allowed by CPUC rules. The ISO is considering a requirement to only allow substitution of local RA for local RA planned outages. However, the procurement of excess RA capacity (115% of forecast peak load for the month of August) creates a planning reserve margin that anticipates outages. In addition, in many local areas, there are insufficient supply resources to procure additional local RA capacity from non-RA resources. Finally, the requirement to procure system RA for a planned outage of either local or system RA resources is consistent with current CPUC RA rules.

RA is a Planning Reserve Product: The RA construct is a planning reserve procurement mechanism. The ISO's proposals to introduce more stringent replacement of resources suggest that the ISO views RA as an operational reserve. The ISO has other operational reserve products, such as ancillary services, replacement reserves and RUC products that it should utilize. RA should remain a planning reserve product.

SCP should be applied equally to all products: SCP products should be configured such that a buyer is indifferent to the quality, i.e. whether it is a variable generation resource, whether it is a peaker, or whether it is a thermal, nuclear or combined cycle unit.