



California ISO
Your Link to Power

Straw Proposal

Standard Resource Adequacy Capacity Product

**ISO Straw Proposal
November 11, 2008**

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1 EXECUTIVE SUMMARY

Stakeholders have stated to the ISO that their ability to efficiently transact Resource Adequacy (RA) contracts would be significantly enhanced by including a standard product definition in the ISO tariff. The need for a standardized resource adequacy product was highlighted during the ISO's Market Initiatives Roadmap process where the Standard Resource Adequacy Capacity Product (SCP) was ranked highest priority out of a list of over 70 initiatives.¹ Many stakeholders have expressed their desire to have this product implemented in the ISO Tariff as soon as possible so that it may be used as the basis for capacity contracting during 2009 for the 2010 delivery year. As a result, earlier this year, the ISO began the stakeholder process for designing the SCP by releasing an issue paper which outlined the breadth of issues that related to creating a such a product. The ISO staff reviewed each of these issues along with the stakeholder's comment to prepare this straw proposal. The purpose of this proposal is to provide stakeholders with the ISO's current thinking about the best way to implement SCP. We look forward to additional comments and discussion with stakeholders on the pros and cons of current thinking on the subject.

The ISO is not starting from scratch to create SCP. Currently (and in MRTU) there is a process defined for the RA program. The ISO intends to maintain much of that same process when SCP is implemented and is only recommending a few key enhancements at this time. They are:

- The SCP tag. An SCP tag is a representation of capacity that is being submitted to the ISO in compliance with an RA Obligation. In many cases it will be the result of negotiations between a buyer and seller of capacity or it may be an identifier of the capacity committed by an LSE that is using their own generation to fulfill their RA Requirement. In either case the fundamental idea is that this product is "standard". It is identified by a resource id, amount of Net Qualifying Capacity (NQC) MW and the length of time that the tag is valid.
- Implementation of availability standards. If a resource receives payments for providing RA capacity, there is an expectation that the resource will honor its commitments and provide service when required to do so by the ISO, i.e., the resource will be able to comply with its Resource Adequacy Must Offer Obligation. Under the availability standard proposed in this paper, a target availability level will be established for each resource which will be in effect for the upcoming compliance year. The target availability level will be based on historical outage data (unless it is a new resource). During the compliance year the ISO will monitor, track and assess actual performance and compare the actual availability of each resource to its target availability.

¹ *Market Initiatives Roadmap Process, Final Report on Ranking of High Priority Market Initiatives 7/7/2008* <http://caiso.com/1ff9/1ff9aee434530.pdf>

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- Implementation of performance incentives. The SCP should include a mechanism to provide an incentive for each resource to meet its target availability standard. The ISO envisions that a failure to perform to the availability standard would result in some form of a “penalty;” therefore, each resource would have an incentive to ensure that it performs in order to limit its exposure to the penalty. Two types of penalties are being considered: 1) financial penalties or 2) an adjustment of the NQC for a subsequent compliance year. This straw proposal lays out the pros and cons of each alternative and suggests that an adjustment to NQC may lend itself better to the SCP initiative because, in the end, it provides a stronger incentive to meet its availability standard. Additional stakeholder input on this topic is essential to determine the best form of performance incentives for the SCP from an implementation and design perspective.

The ISO is requesting that stakeholders submit their comments on this proposal to SCPM@caiso.com by November 21, 2008 (this date changed from the original schedule). There will be a stakeholder meeting held on November 18, 2008 at the CAISO to discuss the straw proposal.

On December 1, 2008 the ISO will hold a conference call regarding SCP. This call has been added to the current SCP schedule to allow more time for discussion on the key elements of the proposal. The final section of this paper lists the entire schedule for publication of papers, stakeholder input and meetings.

2 INTRODUCTION

The implementation of a Standard Capacity Product (SCP) is a step forward in streamlining California’s Resource Adequacy (RA) program. The RA program was implemented to ensure that adequate resources were available to serve load. As the RA program evolved over the years, participants identified a need to develop a standardized capacity product to facilitate the selling, buying and trading of capacity to meet RA requirements. Stakeholders have affirmed to the ISO that their ability to efficiently transact RA contracts is hindered by the current method of negotiating agreements between parties without a standard product definition for trade. The need for resolution was highlighted during the ISO’s Market Initiatives Roadmap process where the Standard RA Capacity Product was ranked highest priority out of a list of over 70 initiatives.² Stakeholders have expressed their desire to have this product implemented in the ISO Tariff as soon as possible so that it may be used as the basis for capacity contracting during 2009 for the 2010 delivery year. As a result, earlier this year, the ISO began the stakeholder process for designing the SCP.

² *Market Initiatives Roadmap Process, Final Report on Ranking of High Priority Market Initiatives 7/7/2008* <http://caiso.com/1ff9/1ff9aee434530.pdf>

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In parallel, the California Public Utilities Commission (CPUC) is also conducting proceedings to further the development of California's Resource Adequacy Program. Currently the CPUC is engaged in Phase 2 of R.08-01-025³, the "Order Instituting Rulemaking to Consider Annual Revisions to Local Procurement Obligations and Refinements to the Resource Adequacy Program." In its Scoping Memo, the CPUC references SCP as a topic for consideration and requests that:

In conjunction with the CAISO Stakeholder processes, review the Calpine Proposal and any other proposals for a standardized resource adequacy contract and associated resource obligations.

The Scoping Memo also includes Ancillary Services Must Offer Obligation (AS MOO) as a topic for discussion and the ISO proposal also incorporates this concept. The Scoping Memo states:

The CAISO may present a proposal for incorporating an AS MOO into the RA program that includes specific reference to the AS products.

Clearly, the ISO, the CPUC and market participants are all seeking to accomplish the same goal – enhance the current RA program for the State of California. This straw proposal is intended to bring us closer to that objective.

3 IMPLEMENTING RESOURCE ADEQUACY WITH SCP

This section of the paper provides a summary of the current resource adequacy framework and shows the similarities to the new process using a Standard Capacity Product. It is based on the Business Practice Manual (BPM) for Reliability Requirements and Tariff Section 40 regarding Resource Adequacy. Figures 1 and 2 provide show the flow of each process.

3.1 CURRENT RESOURCE ADEQUACY FRAMEWORK

Each year the ISO's RA process begins with the publication of the Local Capacity Study and the Deliverability Study. The purpose of the Local Capacity is 'to determine the minimum capacity needed in each identified transmission constrained "load pocket" or Local Capacity Area to ensure reliable grid operations'.⁴ The Deliverability study establishes the deliverability of generation in the ISO in the balancing area. It also establishes the total import capability for each import path allocated to each LSE. The information contained in these reports along with generator data is used to compile the annual Net Qualifying Capacity (NQC) Report which is a listing of the NQC of "all Participating

³ *Order Instituting Rulemaking to Consider Annual Revisions to Local Procurement Obligations and Refinements to the Resource Adequacy Program*, Assigned Commissioner's Ruling and Scoping Memo, 9/15/2008 <http://docs.cpuc.ca.gov/efile/RULC/90797.pdf>

⁴ 2010 Local Capacity Area Technical Study Manual pg 3

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Generators and other Generating Units that request inclusion”⁵ for the next compliance year.

LSEs utilize the NQC report to identify resources which are available to contract to provide capacity to satisfy their RA requirement. Currently, there are no standard rules for these contracts and consequently the terms and conditions can vary among the contracts.

In the year ahead and month ahead timeframes, LSEs and Resources are required to provide information to the ISO demonstrating that the Resource Adequacy Requirements will be met for that period. LSEs submit Resource Adequacy Plans which identify specific resources that the LSE is relying on to satisfy its forecasted peak demand and reserve margin for the reporting period. SC for the Resources are responsible for Supply Plans which are a verification and confirmation of the information contained in the LSEs Resource Adequacy Plan. It “establishes a formal business commitment between the CAISO and Resource Adequacy Resources by confirming the status of the resource as [a] Resource Adequacy Resource.”⁶(BPM, pg 22).

The Resource Adequacy Plans and Supply Plans are cross-validated by the ISO. For CPUC jurisdictional entities, the CPUC ensures that LSEs are in compliance with their RA requirements through their RA Plans, while the ISO provides feedback on the physical generating units and system resources listed in their RA Plans to see if the SCs of those resources submitted a Supply Plan confirming that the RA capacity was sold in accordance. For Non-CPUC jurisdictional entities, the ISO reviews the RA Plans and supply plans in the same manner as the CPUC jurisdictional entities and sends any discrepancies to the Local Regulatory Authority (LRA).

SCs for RA resources are required to make their RA capacity available to the ISO in accordance with the tariff. In the Day-Ahead Market an RA resource must submit economic bids or self schedules for their RA capacity in IFM and RUC. There are certain exceptions to this rule including Extremely Long Start Resources and Use Limited Resources (as described below).

RA resources that were committed in the IFM or RUC must remain available through Real-Time. Short Start Units and Dynamic System Resources that don't make their units available in the Day-Ahead Market, must submit Economic Bids or Self-Schedules into the Real-Time Market.

Extremely Long Start Resources

Extremely Long Start (ELS) Resources are those resources that are flagged in the master file and have a start-up time that is greater than 18 hours. ELS resources can also be system resources that have contractual limitations that

⁵ BPM for Reliability Requirements pg 34

⁶ Id. At 22

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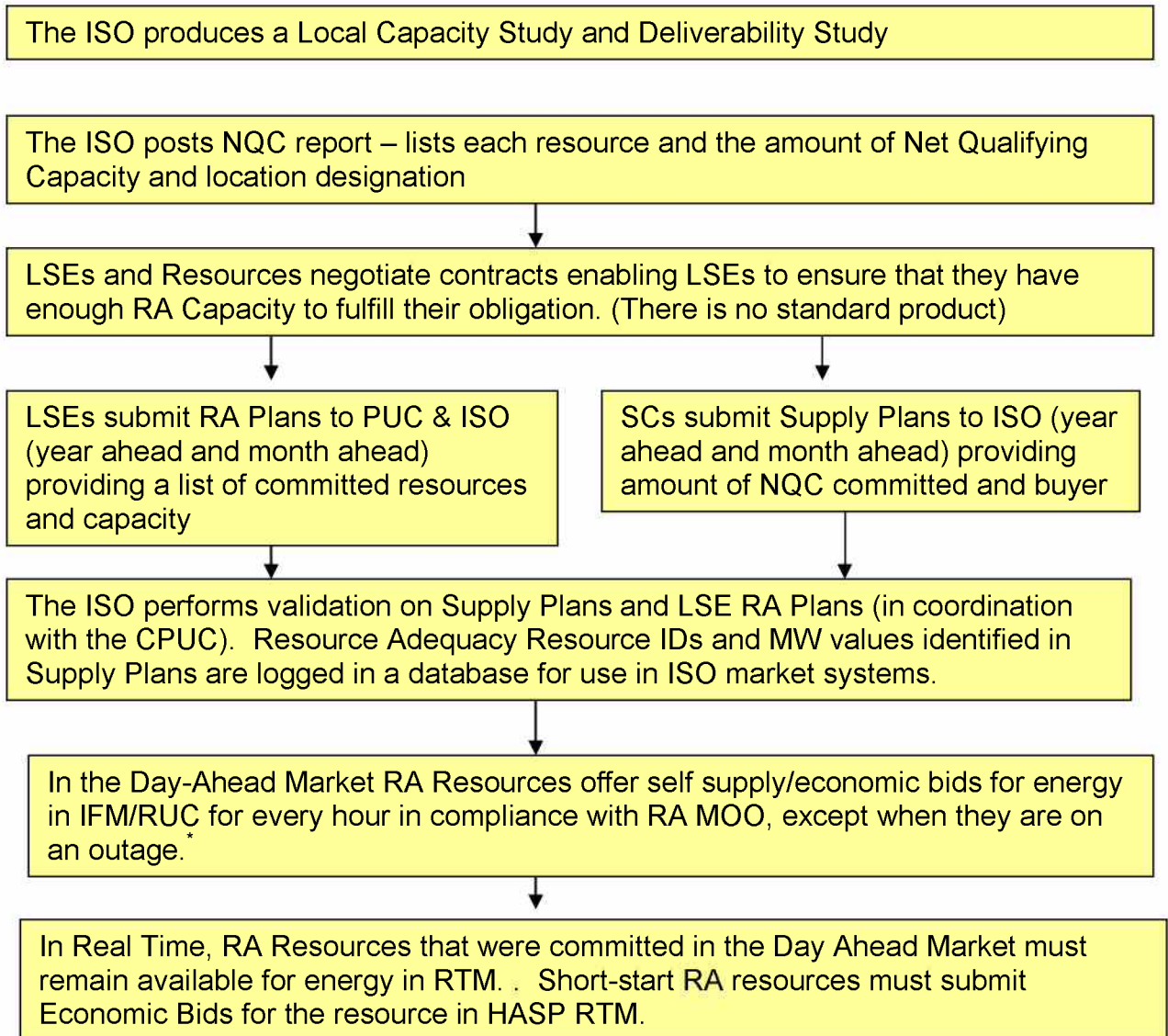
required the energy to be committed prior to the publishing of the Day-Ahead Market results. For these units a special Extremely Long Start Commitment process is used. This process is described in Section 6.8 of the BPM for Market Operations.

Use Limited Resources

Resources that would like to be considered Use-Limited Resources must submit an application requesting such designation, except for hydroelectric resources. BPM Section 6.1.3.2 and Tariff Section 40.6.4.2 explain that the SC for Use-Limited Resources submits an annual use plan and updates it with a monthly use plan. The only exception is hydro which can be updated intra-monthly as necessary. BPM Section 6.1.3.3, Tariff Section 40.6.4.3.1 and 40.6.4.3.2 explain that Non-Hydro and dispatchable resources are required to bid or self supply in the IFM or RUC whenever they are capable of operating in accordance with their operating criteria. These resources also provide a daily energy limit as part of their IFM bid. Hydro resources, pumping load and non-dispatchable resources must submit self schedules or bids in the IFM for their expected energy deliveries and can revise bids or provide additional bids in HASP. No RUC commitment is required, but Use-Limited Resources should offer into RUC if available.

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Figure1 – Current ISO RA Process under MRTU



Notes:

* The rules for Use-Limited Resources and Extremely Long Start Resources differ somewhat from the general explanation provided in this graphic.

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3.2 PROPOSED RESOURCE ADEQUACY FRAMEWORK WITH A STANDARD CAPACITY PRODUCT

3.2.1 Stakeholder Comments

In their comments there was general (but not total) consensus on some issues regarding the changes to the RA framework under SCP:

- The current RA process should be changed as little as possible.
- The LSEs responsibility ends with the submission of their SCP tags

There were other important points that individual stakeholders provided in their comments and these were also considered in developing this straw proposal.

3.2.2 SCP Process

The proposed process that includes Standard RA Capacity Product tags, closely tracks with the current process. Some features of the current RA program are not changing and will remain as they are described in the BPM for Reliability Requirements and the tariff. This includes rules such as those for determining NQC, rules for new capacity and capacity exiting the market. Certain elements have been updated including the use of tags, additional credit requirements (if financial penalties are implemented), availability standards and performance penalties.

Like the current process, the first step is to produce the Local Capacity Study, the Deliverability Study and the NQC report. LSEs utilize the NQC report to identify resources which are available to contract to provide capacity to satisfy their RA requirement.

LSEs will submit a list of the tags they procure to the ISO and CPUC or their Local Regulatory Authority (LRA) in compliance with their RA requirements. These tags, which contain much of the same information listed in today's RA Plans, are supported by a set of standard rules that reside in the tariff rather than individual contracts. The SC for the RA resources will submit Supply Plans listing the tags that they have sold. The quantity of tags will be based on the amount of MWs a resource has sold to LSEs. The quantity of tags for imports will be based on the current import capacity methodology that is currently in use today.

The tag information provided to the ISO will identify the committed RA capacity that will be subject to the RA-MOO provisions. Each set of reports will be validated by the ISO and the amount of tags issues by each resource will be confirmed.

A new feature that may be implemented if financial penalties are enforced is the determination of additional credit requirements and the need for SCs to provide

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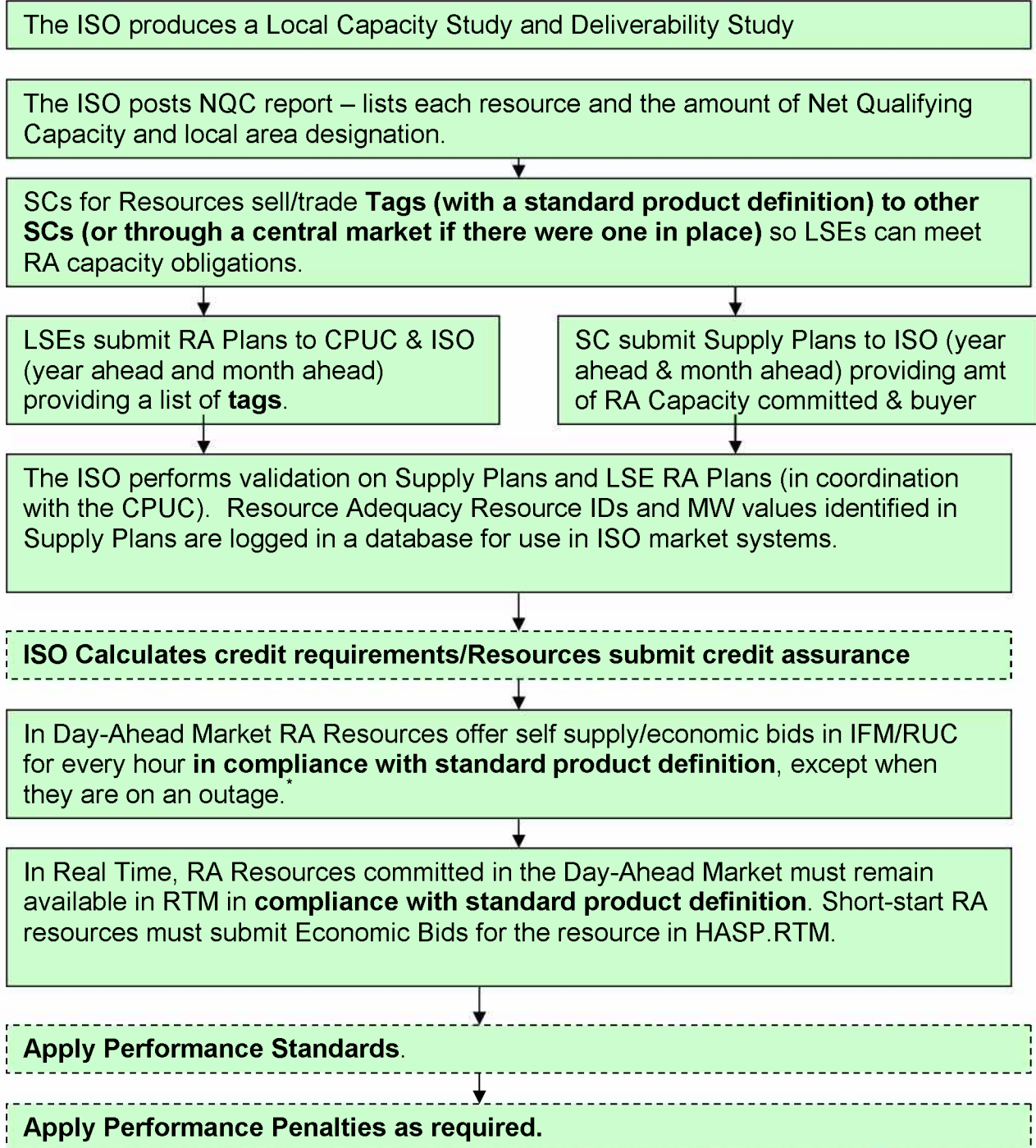
credit assurance on behalf of their capacity resources. This feature is discussed further in Section 7 of this straw proposal.

There will be little change from today's day ahead and real time process however resources will be required offer all services for which they are certified (e.g. energy, ancillary services). Further information on the product definition is found in Section 4.

On an ongoing basis the ISO will track the performance of RA capacity relative to its obligations under the tariff for the duration of its delivery period, and will take appropriate actions depending on performance. New availability metrics will be in place for providing performance information. The SCP will also have performance incentives and penalties. These new features are described in Section 5 & 6 of this document.

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Figure 2 – Proposed Resource Adequacy Process



Notes:

* New product definition includes an updated RA Must Offer Obligation for all services for which a resource is certified (energy and A/S). Also includes rules related to units with an RA obligation less than their Pmin.

4 PRODUCT DEFINITION

4.1 STAKEHOLDER COMMENTS

After the SCP Issue paper was published on the ISO website, followed by a conference call, the ISO received numerous written comments from stakeholders regarding, among other things, the qualities of a standard capacity product tag. Although there were some trends in the opinions that could be identified, when examined closely there was quite range of options. Even the most fundamental questions had stakeholders on both sides of the fence.

Most stakeholders agreed with the ISO that SCP should be required for all RA capacity. However a few, including CMUA and NCPA felt that SCP should be an optional tool to use for procuring capacity.

The concept of using tags to identify SCP capacity received a broad spectrum of opinions. Some, such as the AReM and CPUC suggested that tags create a false sense of uniformity that is unnecessary while JP Morgan Ventures, PG&E and CFCMA agreed with the ISO that the process should include the use of tags to facilitate trading.

The stakeholder comments template asked stakeholders to provide input on the required flavors of a tag. Many stakeholders suggested that tags need to be standard and based on NQC. Others suggested that the ISO differentiate tags by whether they represent locational or system capacity. Others offered that the ISO should further define the tags using the four categories defined by the CPUC's Maximum Cumulative Contribution (MCC).

The question on the comments template regarding the obligations of RA capacity and modification of RA MOO provided a wide range of responses. Some stakeholders felt that SCP should be based on existing RA MOO and any changes should be addressed in a CPUC proceeding while others agreed that a resource should be required to offer all services for which it is certified, including energy and ancillary services.

Finally, some of the stakeholder comments reflected the special types of resources that provide capacity in our market and requested that we make sure to address their special characteristics. This included demand response resources, qualifying facilities, imports, use-limited resources, MSS arrangements and LD contracts.

4.2 PRODUCT DEFINITION

As described in Section 3.1, LSEs have an obligation to demonstrate that they have procured enough capacity to cover their resource adequacy requirements in the RA Plans that they submit to their LRA and the ISO. In order to do this, LSEs

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contract with resources for a commitment that they will be available for a certain quantity of MWs for an agreed upon period. The committed capacity is subject to the RA Must Offer Obligation as specified by the ISO tariff. The product definition of the SCP incorporates all of these elements.

The SCP is based on the following principles:

1. The purpose of the SCP is to meet the RA Requirement. The SCP is being developed to streamline and improve the current RA process for market participants and the ISO. The SCP enhances the existing procedures by providing a device that facilitates capacity trading and establishes performance rules in the tariff.
2. The SCP is fungible and can be easily traded. By its very definition a standard capacity product should have an enduring nature and represent a set of similar attributes. The SCP utilizes the Net Qualifying Capacity (NQC) that has been set forth in Section 40.4.1 of the tariff and the imports that are reported by LSEs and the SC representing resources to determine the amount of tags that a Resource is eligible to receive.
3. All RA capacity will be represented by tags. SCP is not optional or a discretionary tool for use by market participants in acquiring and selling RA capacity. A report, like today's NQC report, will be produced by the ISO providing a listing of all available tags. Each LSE will be required to make a showing of all the tags representing the capacity that has been committed in order to meet their RA Obligations. It is also the means for the SCs for resources to account for of the capacity that they will be required to make available to meet the RA obligation.
4. A tag is equal to the total capacity sold as RA Capacity or submitted to obtain RA Compliance but no greater than a resource's NQC. In the example below the Acme Unit has a Name Plate Capacity of 120 MW with a Pmax of 100 MW. The LRA determines that the QC for this unit is 90 MW and the ISO's further testing determines that the NQC for the unit is 50 MW. The graphic shows that three LSEs purchased RA capacity from Acme and each receives tags based on the amount of purchased capacity. Note that this unit has NQC that was not purchased and still has 5 MW which are unused and could be sold as a tag or tags.

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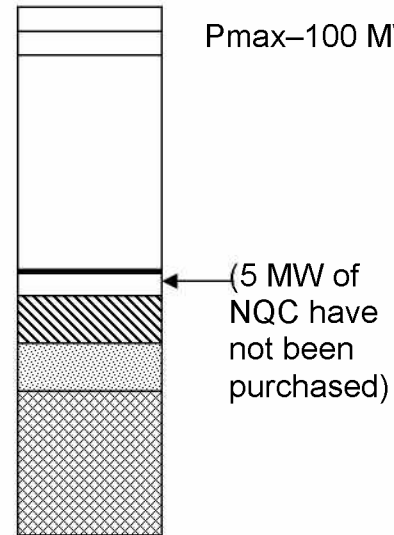
Example 1 – Acme Resource (acme_2_unit)

Name Plate Capacity – 120 MW

Total QC – 90 MW

Pmax–100 MW

Total NQC – 50 MW
LSE 1 purchased a 10 MW tag
LSE 2 purchased a 10 MW tag
LSE 3 purchased a 25 MW tag



5. Each tag will be identified by a three types of attributes. The SCP tag needs to be simple yet unique. The three elements that are key for identify the capacity that is traded are convention that identifies the offering resource, the number of MW that are being offered and the timeframe for the transaction. The Resource ID, quantity of NQC MWs and beginning and ending date are the pieces of information that define these attributes. First, the Resource ID identifies the resource that is supplying the capacity as well as the Local Capacity Area (LCA) where it is located. The quantity of NQC MWs defines the amount of capacity that is being traded and registered with the LRA and the ISO as RA capacity. Finally a start and end date applies an RA-MOO compliance period for the tag. All of these attributes ensure that performance metrics (and incentives/penalties) are being applied appropriately. Any attempt to further define the capacity will increase the complexity of the product. In fact the attributes that have been identified are the same data that is collected in the Supply Plans that are used today.
6. The duration of a tag extends no longer than the publication of the next NQC list. Buyers and sellers of RA capacity will agree on an amount of NQC that will be provided and the duration of that agreement. Although a bilateral agreement for capacity could be multi year, the availability of SCP tags will need to be reassessed against the NQC list for the coming year to verify that the tag information is still valid and the supplier has sufficient NQC to meet the next year of its contract. Once the verification has been completed, the tags will be reassigned for the coming year.
7. Tag Reporting for RA procurement will occur monthly. Each month LSE's will report the tags that they have procured and SCs will report the tags of

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resources that have been committed. Performance standards will be measured based on the information that has been reported monthly. In order to provide more granularity (intra-month trades) a resource registry would be required due to the complexity in tracking resource obligations.

8. RA MOO allows the ISO to use all the capabilities of a Resource. An RA Resource must offer all their energy and ancillary services (for the services for which they are certified) into the DA market and real-time for tags that have been purchased by an LSE for their RA showing (with the exceptions described below). There are two key reasons why this enhancement is being applied. First, upon MRTU start up the FERC MOO will no longer apply and the pool of resources that must offer into the market will be limited to RA resources. Second, in the IFM the ISO optimizes energy and ancillary services to meet 100 percent of its forecast requirement and there will need to be enough bids to perform this optimization. This enhancement helps ensure supply sufficiency and market liquidity.

There has been considerable discussion regarding the AS MOO in the ISO's reserve scarcity pricing stakeholder process. In the final proposal for the reserve scarcity pricing design posted on ISO website on July 15, 2008, the following revisions were proposed:

- 1) All RA resources must submit A/S bids for 100% of their A/S certified RA capacity into the DAM, even if the RA capacity has been self-scheduled for energy. Otherwise, a zero (\$0/MW) bid will be inserted;
- 2) All RA resources with A/S certified capacity, with the exceptions as discussed below, will always be considered for energy and A/S in the DAM IFM energy and A/S co-optimization.
- 3) The CAISO will honor RA capacity energy self-schedules unless it is unable to procure 100% of its A/S requirements in the DAM. In such case, the CAISO would curtail the energy self-schedule, or portion thereof, to allow certified A/S capacity to be used for A/S.
- 4) Due to various restrictions of operating conditions, hydro RA resources should submit A/S bids, together with their energy bids, in the day-ahead market for all their available A/S capacity based on the expected available energy.⁷ Hydro RA units submitting energy self-schedules will not be required to offer A/S in the DAM.
- 5) Non-Dispatchable Use Limited RA Resources will be exempted from the DAM A/S must-offer requirement.

Currently in the Day-Ahead Market SCs must make all RA capacity available by self-scheduling or submitting economic bids unless it is on an

⁷ It is consistent with the MRTU Tariff Section 40.6.4.3.2.

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outage, except for capacity from Use Limited Resources. The procedures for Use-Limited Resources are described in Section 2 of this paper. SCs for RA Resources that submit economic bids (instead of Self-Schedules) are subject to ISO optimization for that capacity in the Day Ahead Market. According to the BPM for Reliability Requirements, if the SC for the RA Resource submits a bid for Ancillary Service(s), the Energy Bid associated with the RA Resource and the bid for AS will be optimized to determine if Energy should be scheduled or AS should be awarded. RA Capacity that is committed in the IFM or RUC must remain available throughout real-time. RA Capacity from designated Short Start Units must be bid or self-scheduled in the HASP or RTM subject to any limitations for Use-Limited resources. RA Capacity from System Resources is not required to be offered into the RTM if it's not scheduled or committed in the DAM.

9. A tag is bound by the availability standards, penalties and credit requirements in the tariff. Sections 5 and 6 of this proposal describe this process.

Demand Response (DR) as a Capacity Resource

In the current RA paradigm, Demand Response resources are taken off the top of an LSE's resource adequacy requirement. Said another way, an LSE's RA obligation is reduced by DR resources. In the future, in accordance with DR activities currently in progress, DR will be considered a resource to fulfill an LSE's requirement in the same manner as all other resources. Under the SCP paradigm such capacity will be assigned tags and be required to be reported monthly in RA plans and Supply Plans.

Metered Subsystems (MSS)

The product definition covers Metered Subsystems as any other type of resource. LSEs and Resources will provide a resource id, MW amount and timeframe for all RA capacity. The current BPM Section 6.3 and Tariff Section 40.2.4 explain that Load Following MSS must provide an annual RA Plan but no monthly submissions are required.

Qualifying Facilities (QFs)

The SCP definition covers the QF Resources as well. The three attributes required for a tag are available for use.

RA less than Pmin

Section 40.4.3 of the MRTU tariff describes the general qualifications for supplying NQC. One situation that had not been contemplated when writing this section was when a resource is contracted for an RA amount that is less than the Pmin of the committed unit. In an upcoming MRTU 205 filing with FERC, the ISO remedies this omission by adding language that "For a resource with contractual Resource Adequacy capacity less than Pmin be available to the CAISO for commitment or dispatch at Pmin subject to tariff provisions for Bid

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Cost Recovery so that the resource's Resource Adequacy capacity can be utilized as required by this CAISO Tariff."

5 AVAILABILITY STANDARDS

If a resource receives payments for providing RA capacity, there is an expectation that the resource will honor its commitments and provide service when required to do so by the ISO, i.e., the resource will be able to comply with its RA MOO. The proposed availability standard is intended to provide reasonable assurance that the contracted resources will perform at adequate levels during the compliance year.

Under the availability standard proposed in this paper, a target availability level will be established for each resource, which will be in effect for the upcoming compliance year. During the compliance year the ISO will monitor, track and assess actual performance and compare the actual availability of each resource to its target availability.

5.1 STAKEHOLDER COMMENTS

Stakeholders have stated that a performance standard is one of the key elements of the SCP. Contracting will be simplified by providing a single performance standard that suppliers will be bound to perform to through the ISO tariff. Most stakeholders have suggested that the performance standard focus on the availability of resources, i.e., an assessment of whether a resource that has been made available to the ISO is not on an outage and is capable of providing service when called upon by the ISO. The Joint Parties and CFCMA each provided a suggested approach for developing an availability standard.⁸ The ISO also noted that the ICPM has availability metric. Some stakeholders suggested that there should be different standards to reflect the different characteristics of different types of resources. Other stakeholders suggested that the standard should not vary by technology type. Some stakeholders suggested that an acceptable forced outage rate should be very low and availability should be higher than 90% (with one stakeholder suggesting 95%). Stakeholders almost universally want the performance obligation to be on the supplier and not the entity that procures the capacity. As for where data should come from, stakeholders have suggested that the ISO could use either the data in its scheduling and outage logging system (known as "SLIC") or the data reported to NERC through its Generator Availability Data System ("GADS").

5.2 GENERAL PRINCIPALS

The following general principles were considered by the ISO in developing this straw proposal.

⁸ See Issues Paper at <http://www.caiso.com/2030/2030d94a4ddf0.pdf>

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- The performance of each resource (by ISO Resource ID) will be evaluated individually, rather than combined with other resources.
- A resource's performance will be evaluated over a rolling period of five years of data.
- A "target availability" level will be established for each resource, which will be in effect for the upcoming compliance year.

5.3 BENEFITS OF APPROACH

The proposed approach that is described in this straw proposal has the benefits listed below.

- Establishes a clear performance requirement that is specific to each resource.
- Holds each resource to a performance standard based on its unique attributes, location and technology.
- Considers performance over a long time horizon so as not to unduly consider near-term performance.

5.4 OBJECTIVE OF STANDARD

The availability standard is predicated on the principle that each resource needs to perform maintenance on its facility and it should not be penalized for performing necessary maintenance. The proposed availability standard encourages each resource to maintain its facility so that the facility can be made available to the ISO at a level at least as great as the level that the resource has historically been able to achieve.

5.5 ESTABLISHING TARGET AVAILABILITY

At implementation of the SCP:

- Each resource will be required to provide the following actual data⁹ to the ISO for the previous five Reporting Periods:¹⁰
 - Equivalent Forced Outage Hours as defined by NERC GADS for partial hour and partial generation outages (hereinafter referred to as "Forced Hours").
 - Equivalent Maintenance Outage Hours as defined by NERC GADS for partial hour and partial generation outages (hereinafter referred to as "Maintenance Hours").
 - Long-Term Planned Outage Hours scheduled with the ISO that have durations longer than 21 days (hereinafter referred to as "Overhaul Hours").

⁹ Resources that currently submit NERC GADS data already are compiling and reporting the data listed below. Requiring that this data also be provided to the CAISO would not require the creation of new data by such resource owners.

¹⁰ The Reporting Period is defined as July 1 through June 30.

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After SCP has been implemented:

- Prior to the start of each compliance year, in conjunction with the Year-Ahead RA Showing that occurs on September 30 each year, each resource will provide its actual Forced Hours and actual Maintenance Hours for the previous Reporting Period, and the approved Overhaul Hours for the upcoming Reporting Period.

Once the necessary data has been received from each resource, the ISO will calculate the target availability for each resource the upcoming compliance year.

¹¹ The target availability will be a single value upon which the resource will be evaluated to determine if its actual performance is less than or greater than that value. The steps in the process are described below.

Step 1: Calculate Total Outage Hours over previous five years - The ISO will use the data that it receives from each resource supplier to calculate for each Resource ID for each year the actual Total Outage Hours.

Step 2: Calculate five-year average of actual Forced and Maintenance Hours - The ISO will calculate the average actual Forced Hours and actual Maintenance Hours over the previous five years.¹² This ISO will allow the resource this amount of Forced Hours and Maintenance Hours in the target availability calculation for the upcoming compliance year.

Step 3: Provide allowance for Forced and Maintenance Hours, and allowance for Overhaul Hours, and calculate the target availability for the upcoming compliance year - The ISO will calculate the Target Available Hours for the upcoming compliance year by taking the total hours in the upcoming compliance year and subtracting from that amount the five-year average of actual Forced Hours and actual Maintenance Hours and the approved Overhaul Hours in the ISO-approved maintenance plan for the upcoming compliance year. A Target Availability Percentage for the upcoming compliance year also will be calculated based on the Target Available Hours divided by the total hours in the applicable compliance year. Although both hours and percentage values will be calculated, each resource's operational status will be evaluated based on hours, not percentage. A percentage value will be provided, and is used in the discussion in the proposal, to help convey the concept.

¹¹ The CAISO will use the data in its SLIC system to check and verify that data submitted is accurate.

¹² This value represents the average number of hours over the last five years that the resource has been unavailable due to Forced Hours and Maintenance Hours.

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Example of Establishment of Target Availability for ACME Resource ID for 2010

Step 1: Calculate Total Outage Hours over previous five years

| | Annual Outage Hours History for Each Year | | | | |
|---|---|----------|------------|------------|------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Actual Forced Hours | 0 | 0 | 0 | 69 | 0 |
| Actual Maintenance Hours | 497 | 9 | 237 | 0 | 217 |
| Overhaul Hours in CAISO-Approved Maintenance Plan | 0 | 0 | 0 | 702 | 102 |
| Total Outage Hours | 497 | 9 | 237 | 771 | 319 |

Step 2: Calculate five-year average of actual Forced Hours and Maintenance Hours

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|------------|----------|------------|------------|------------|
| Total Outage Hours | 497 | 9 | 237 | 771 | 319 |
| Actual Overhaul Hours | 0 | 0 | 0 | 600 | 0 |
| Actual Forced Hours and Maintenance Hours | 497 | 9 | 237 | 171 | 319 |
| 5-Year Average of Actual Forced and Maintenance Hours | 247 | | | | |

Step 3: Calculate Target Availability for upcoming compliance year

| | |
|--|--------------|
| Total Hours in 2010 Compliance Year | 8,760 |
| Less: | |
| Avg. Actual Forced & Maint. Hours over Previous 5 years | (247) |
| Overhaul Hours for 2010 in CAISO-Approved Maintenance Plan | (504) |
| Target Available Hours for 2010 | 8,009 |
| Target Availability Percentage for 2010 | 91% |

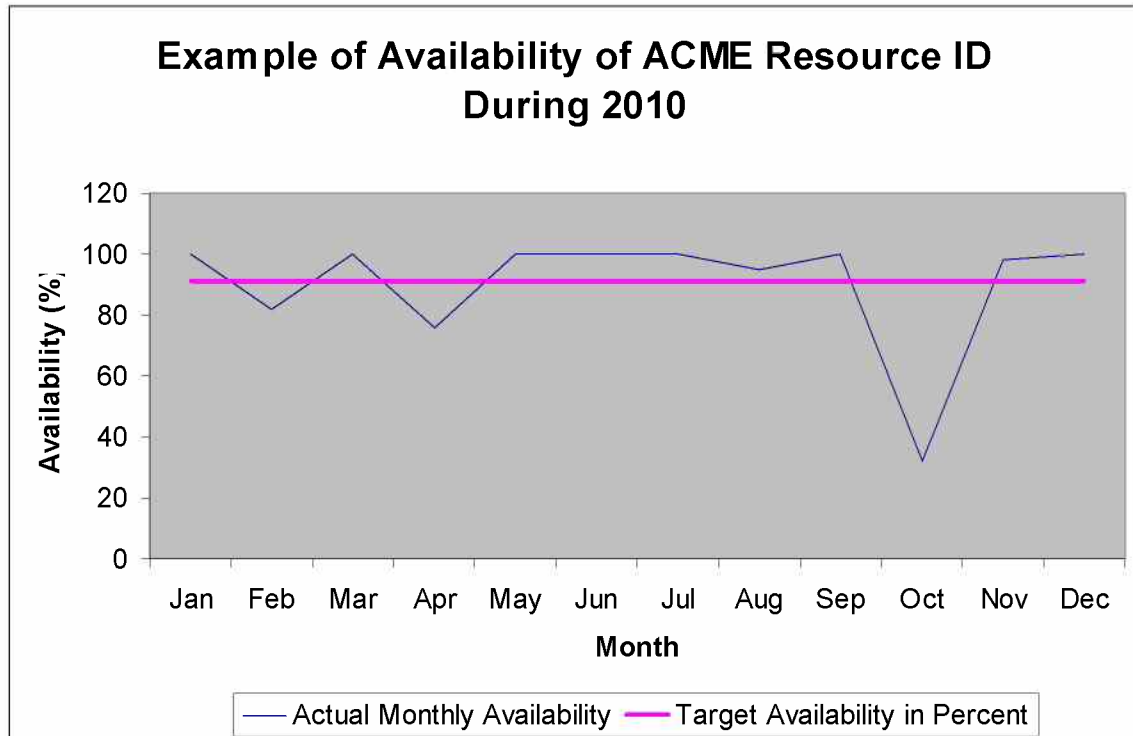
Once the Target Available Hours are established for the compliance year, the ISO will use SLIC outage reporting data to determine the actual monthly availability of each resource. The actual monthly availability will be compared to the target availability value that was established prior to the start of the compliance year. The monthly availability will be calculated as follows:

- The ISO will assess each resource's operational status using the availability data provided by the resource's Scheduling Coordinator to the ISO through the SLIC system.
- Each hour that the resource is fully available at its contracted RA value will be counted as 100% availability.
- For each hour that the resource is partially or fully curtailed a pro-rated percentage will be calculated. For example, a 100 MW resource that is available for 50 MW for the hour will be counted as 50% available, or the same resource curtailed to 0 MW for 30 minutes will also be counted as 50% available.
- The ISO will calculate a Monthly Average Availability for each resource. The calculation will be based on the actual hours that the resource was available compared to the Target Available Hours for that month.

In the example above, during the 2010 compliance year this hypothetical resource is expected to be unavailable for 247 hours due to Forced Hours and Maintenance Hours. This resource also is expected to be unavailable for an additional 504 hours for Overhaul Hours. This resource is expected to be available at least 8,009 hours during the compliance year. (This equates to target availability, in percent, of 91%.)

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The actual availability of each resource each month would be calculated and compared to the target availability. In months where there are no outages, the actual availability of the resource would be above the target availability. In months where an outage occurs, the actual availability would be less than 100%. If a resource was on an outage that lasted several weeks, the actual availability would be much less than 100% and likely to be well below the target availability. The graph below shows this relationship (shown in percentage terms to easily convey the concept – actual operational status would be based on hours in the applicable month, not percentage).



For example, suppose the month being evaluated is October (which has 744 total operational hours in it) and the resource is scheduled to be out on an approved overhaul in that month for 504 hours. If the resource takes the overhaul and completes it in 504 hours, and the resource is actually available at 100% of its RA capacity for the remaining 240 hours in October, the resource would be considered to have an actual availability for October (on a percentage basis) of 32% $((744 \text{ hours} - 504 \text{ hours}) / 744 \text{ hours})$.

In the next month, November, if the resource is available at 100% of its RA capacity for 744 hours in that 744-hour month, the resource would be considered to have an actual availability for November (on a percentage basis) of 100% $((744 \text{ hours} - 0 \text{ hours}) / 744 \text{ hours})$.

To the extent a resource does not actually take its Overhaul Hours in a compliance year, those Overhaul Hours will be removed from the allowance for

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that compliance year so that the availability calculation will not be distorted (if this is not done, a resource would appear to be unexpectedly available – and it is desired that resources take their planned overhauls).

Actual Overhaul Hours durations that exceed the planned Overhaul Hours will have the additional actual overhaul hours treated as unplanned outage hours for subsequent determination of the five-year average actual Forced Hours and Maintenance Hours, i.e., those hours would be added to the applicable compliance year data as either actual Forced Hours or actual Maintenance Hours.

So, although there will be fluctuations throughout the year and there will be months when the actual availability will be above the target availability and other months when the actual availability will be below the target availability, if an RA resource is actually available for a total of at least 8,009 hours during 2010 it will be considered to have met its availability standard. If an RA resource is available for less than 8,009 hours in 2010 it will be considered to have under-performed.

Treatment of Resources with Less than 5 Years of Data

The target availability for a resource will be based on historic performance using a five-year rolling average. The proposed methodology does not address resources, such as new resources, with less than five years of performance data. To address such resources, the ISO proposes the approach described below.

For new resources with no operating experience: The average availability factor of all resources with similar technology will be used in the five-year formula.

For units with some operating experience, but less than five years of data: The average availability factor of all resources with similar technology will be used in place of the missing data in the five-year formula. For example, when a resource has one full year of operating data, that data will be used in the five-year formula. For years in which the resource does not have a full year of operating experience/data, the average availability factor of all resources will be used for that year in the five-year formula.

Treatment of Resources less than 10 MW

The ISO tariff does not require resources that are less than 10 MW in capacity to report outages in SLIC. The current ISO tariff requirements regarding outage reporting have been the subject of extensive stakeholder discussion over the years and it is likely not an option to revisit this requirement and try to impose a requirement that resources that are less than 10 MW that want to be an RA resource have to provide outage data to SLIC.

Rather than impose this requirement, the ISO proposes to require that resources that want to be RA resources that are less than 10 MW must self-report to the

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ISO each year a full year of outage data and have the ISO do an assessment once each year of each resource's actual performance each month using the data supplied.¹³

Resources that may require a Different Approach

There are certain types of resources that pose a challenge to developing an availability standard and may require an approach that is different from the methodology described above. It may not be possible to apply a methodology exactly like the one described above for the following types of resources:

- Imports;
- Demand response; and
- Liquidated damages energy contracts that do not specify a physical resource.

Regarding imports, under MRTU RA imports must offer into the Day-Ahead market the full amount of their RA capacity and will have to establish a Resource ID to be able to conduct these transactions. A possible approach to assess the performance of RA imports may be for the ISO to assess the extent to which each RA import resource offers into the Day-Ahead market the full amount of its RA capacity.

Demand response and liquidated damages energy contracts that do not specify a physical resource may be more challenging to address than imports. The ISO is interested in stakeholder ideas on how these resources might be addressed. For example, one option may be for these types of resources to submit actual data to the ISO on their performance, accompanied by an affidavit from an official of the company.

6 PERFORMANCE INCENTIVES

The SCP should include a mechanism to provide an incentive for each resource to meet its target availability. The ISO envisions that a failure to perform to the availability standard would result in some form of a "penalty;" therefore, each resource would have an incentive to ensure that it performs in order to limit its exposure to the penalty.

6.1 STAKEHOLDER COMMENTS

Stakeholders have stated that a performance incentive is one of the key elements of the SCP. The Joint Parties and CFCMA each provided a suggested

¹³ Resources less than 10 MW would provide data on their outages by hour and day for the entire year so that an assessment can be performed that is comparable to the assessment done for resources greater than 10 MW. The CAISO will audit and spot check data to ensure accuracy. The CAISO Enforcement Protocol has rules and penalties for submitting inaccurate and/or false information to the CAISO.

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approach for a performance incentive.¹⁴ Stakeholders are split between recommending that “in-period” financial penalties be used versus adjusting NQC values for the subsequent compliance year. There are many stakeholders on each side of these two options. Stakeholders generally request that the SCP not apply both financial penalties and adjustments to NQC for the same under-performance (do not penalize twice). Some stakeholders do not support penalties of any kind and argue that sufficient existing RA rules are already in place. Many stakeholders recommend that if penalties are applied the penalties should be applied evenly to all resources. Some stakeholders recommend that if an NQC adjustment is to be made, it should only be for chronic under-performance and only for a subsequent compliance year. There is some support for seasonal penalties, and/or performance incentives and penalties more heavily weighted toward peak periods.

6.2 FINANCIAL PENALTIES VERSUS CAPACITY DE-RATES

The ISO has considered two incentive mechanisms. The first option is to apply a “financial” penalty for actual performance within the compliance year when a resource has not met its availability standard. The second option is to apply a “physical” penalty prior to the start of the upcoming compliance year that would adjust the NQC value of a resource when that resource has not met its availability standard (the adjustment would be downward if the resource failed to achieve its target availability over the course of a compliance year, and upward if the resource exceeds its target availability after it has been de-rated in a previous year – the level to which the adjustment could move upward would be limited to the NQC established for the resource).

The ISO proposes to use the second option: application of a physical penalty to adjust NQC prior to the start of the upcoming compliance year. The ISO considers this approach to be superior to the financial penalty option because it provides a stronger incentive for a resource to meet its availability standard. The ISO is concerned that if only financial penalties are used suppliers will simply add the cost of the financial penalties to the contract cost for RA. Being able to pass through financial penalties is not as strong an incentive to perform by the supplier as the risk of having the NQC rating of the resource de-rated for the subsequent compliance year. An adjustment to the NQC limits the amount of capacity for which a resource can contract for a capacity payment for an entire year. Thus, the ISO believes the NQC approach is a much stronger mechanism.

The pros and cons of financial penalties versus physical penalties are listed in the table below. The ISO is interested in stakeholders’ views on financial versus physical penalties and encourages stakeholders to share their views at the November 18, 2008 stakeholder meeting and in their written comments. The ISO will develop a proposal after it receives and considers stakeholder input.

¹⁴ See Issues Paper at <http://www.caiso.com/2030/2030d94a4ddf0.pdf>

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| | Pro | Con |
|---|---|---|
| <p><u>Financial Penalties:</u> Applied “In-Period”</p> | <p>If done monthly, provides immediate and direct feedback to resource on its performance; however, assessment may need to be done after end of year as target is based on performance over a year</p> <p>Could provide a pool of funds to provide bonus payments to resources that exceed target availability to provide an incentive to achieve higher performance</p> <p>NQC value would be more stable over time if only financial penalties are used</p> <p>Would start a transition in ISO tariff to a capacity market (which likely will have financial penalties)</p> | <p>Does not provide as strong as incentive to perform as an adjustment to NQC</p> <p>LSES are paying between \$15 and 45/kW-year for capacity. Using a fixed proxy price, for example \$41/kW-year, in the penalty formula would result in a charge that is more punitive to a supplier that was paid \$15/kW-year than it would be to a supplier that was paid \$45/kW/year</p> <p>ISO does not know the prices paid for capacity, therefore it cannot size the penalty to bear a strong relationship to each contract payment</p> <p>Suppliers will likely incorporate expected penalty cost into contract with LSE, thereby driving up price of RA (especially true for contracts at \$15/kW-year in example above).</p> <p>Would result in additional credit requirements</p> |
| <p><u>Physical Penalties:</u> Adjustment to Next Year’s NQC</p> | <p>Provides a strong incentive as a resource will not want to see its NQC adjusted downward</p> <p>For resource that has been adjusted downward, exceeding target availability in subsequent year can lead to an upward adjustment of NQC</p> <p>Would better reflect true NQC of resources and may result in investment in new resources in resource constrained areas</p> <p>Approved ISO tariff already envisions within 12 months of implementation of MRTU the ISO adjusting NQC for performance</p> <p>Transition impacts may be less for existing contracts compared to financial penalties, as financial penalties would affect contract cost structure</p> | <p>A de-rate could affect resources that have sold their entire resource on a multi-year contract (supplier would need to make up capacity)</p> <p>Likely that the soonest a NQC de-rate could occur is for compliance year 2011</p> <p>Provides feedback to resource only after the end of the compliance year</p> |

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| | | |
|--|--|--|
| | Would not result in additional credit requirements | |
|--|--|--|

Determining Capacity Price in Penalty Charge

One major challenge is how to “size” a penalty charge so that it is meaningful and accomplishes its objective. A key ingredient in determining the penalty charge is the assumed price that has been paid for the RA capacity that has been conveyed to the ISO. The ISO believes that the size of a financial penalty applied to each resource supplier should bear a direct relationship to the price paid for RA capacity.

There are two options on which the capacity price could be based:

- Proxy price for the capacity, or
- Negotiated price that is established in the bilateral contract.

The ISO believes that the penalty charge should be sufficiently large such that, in instances of a failure to meet the availability standard, the charge offsets a meaningful portion of the payment that the supplier receives from the buyer. This means that the size of the penalty charge is crucial – and the price paid for the capacity sold is a key consideration. The current executed RA contracts are bilateral arrangements struck at prices that the ISO is told range from \$15/kW-year to \$45/kW-year. A key challenge is how to apply a penalty charge that provides the right incentives for resources that are receiving different payment amounts for RA capacity.

If a proxy price were to be used in determining the penalty charge, \$41/kW-year could be used as the proxy price. This amount is the price used in the ICPM tariff for backstop procurement under MRTU.¹⁵ However, a penalty charge based on a proxy price of \$41/kW-year would be much more punitive to a supplier that was paid only \$15/kW-year for its RA capacity than it would be to a supplier that was paid \$45/kW/year for its RA capacity. Use of a single proxy price creates a situation where the penalty charge is more punitive on some suppliers than others.

One way to address this issue is to use the negotiated price that is established in each bilateral contract. To accomplish this, either the buyer or the seller would have to provide the ISO with the negotiated price of each RA contract and its associated capacity. This step would be necessary as the ISO does not know the prices paid for the respective RA capacity. If this information is provided to the ISO, the ISO could incorporate the applicable price into the penalty charge

¹⁵ Under the ICPM tariff a resource can file at FERC for a price higher than \$41/kW-year if it believes that its going-forward costs are greater than \$41/kW-year. For simplicity under the SCP, \$41/kW-year could be used as the proxy price for a penalty charge.

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formula. The ISO requests that stakeholders provide feedback to the ISO on whether they would be willing to provide pricing information to the ISO.

If suppliers are not willing to provide pricing information to the ISO, there is another option to consider. Rather than imposing a penalty charge directly on the supplier, instead the ISO could report actual performance of each resource back to the entity that paid for the capacity and allow that entity to take back part of the money that it has agreed to pay the supplier for capacity. The actual availability and the target availability would be reported each month to the entity that holds the contract with the resource. The entity will then use the actual availability reported to it to determine the monthly payment to the supplier. If the resource is found to have under-performed in a month, the entity would penalize the supplier by withholding a portion of the payment it has contracted for with the supplier. Although this approach would require the entities that buy capacity to take actions after they have procured the capacity and submitted their showings, this approach, coupled with an availability standard, would result in: (1) an availability standard, (2) information provided to the entity that is paying for capacity on actual performance, which these entities state they do not have now because they cannot compute it, and (3) appropriately sized penalty charges for failure to meet the standard. The benefits of this approach include:

- Allows for the determination of the actual performance of each resource, but does not require the ISO to directly administer the cost of the capacity.
- Transfers the financial consequences of poor performance back to the supplier and reimburses the entity that paid for the capacity by providing performance information to the entity that is paying for the RA capacity so that it can adjust its payment to the resource based on actual performance, which keeps the ISO out of the business of directly applying financial penalties for poor performance.

The ISO realizes that this approach may not be a viable option as stakeholders have expressed a desire to not continue to have obligations such as the one described above after they have submitted their RA showings.

The ISO requests stakeholder input on the options discussed above, particularly how to determine the appropriate pricing information to use in the formula for a penalty charge if a financial penalty were to be used as a performance incentive.

Monthly versus After-Year-End Assessments

Although it may be possible to assess performance on a monthly basis, the target performance is based on performance over the compliance year. Given this, it may be best to assess performance after the end of the compliance year, after a complete view of actual performance over the year is available. The ISO could still monitor and track performance monthly over the year, but the assessment for any penalty that might be applied would be done after the conclusion of the compliance year when all performance data for the year can be evaluated at one time.

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Performance during Peak Hours

The ISO supports a concept of assessing performance during all hours, and also during peak hours. The all-hours metric provides incentives for resources to be available consistently. A peak-hours metric will augment the all-hours metric by providing an additional incentive to maximize availability during peak hours. The ISO proposes that the peak-hour metric measure availability during a pre-defined set of hours during the year during which the system has historically experienced high levels of demand.

The ISO proposes to define the “RA peak hours” based on the operating periods when high demand conditions are likely to occur and therefore resource performance is most critical to maintaining system reliability. The proposed RA peak-hours include the hour ending 14:00 Pacific Daylight Saving Time (“PDT”) through the hour ending 18:00 PDT on any day during the calendar months of April through October that is not a Saturday, Sunday, or a federal holiday, and the hour ending 17:00 PDT through the hour ending 21:00 PDT on any day during the calendar months of January through March, and November and December that is not a Saturday, Sunday, or a federal holiday. These five hours in each month have been chosen because, based on actual data, the ISO has found that the peak load hour always falls within that five-hour ranger. These hours are when the ISO has typically experienced the coincident peak demand during each of the months.

By also assessing performance during the hours when the system is most likely to be capacity-constrained, the peak-hours metric provides appropriate incentives for resources to take actions to improve peak-period availability.

Financial Penalties and Bonus Payments

The performance incentive could be designed so that resources that have not met their target availability will be assessed a penalty charge, while resources that have exceeded their target availability will be eligible to receive a bonus payment from the amount of funds collected from the resources that did not meet their target availability. Access to a potential bonus payment may provide an incentive to perform above the target availability.

If such a design were to be used, the ISO recommends that the penalty charges and bonus payments from the availability standard be entirely self-funding. Penalty charges from resources that did not meet their target availability would fund the bonus amounts paid to resources that exceed their target availability.

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Eligible resources would share these funds to the extent such funds are available in any given month.¹⁶

7 CREDIT REQUIREMENTS

7.1 STAKEHOLDER COMMENTS

Most stakeholders who commented did not see the need for credit requirements. A few agreed that credit requirements would be necessary if financial penalties were assessed and suggested they be netted with the SCs entire portfolio.

7.2 CREDIT REQUIREMENT PROPOSAL

Currently the ISO is not the buyer of the capacity in the SCP, so if an entity does not perform as required and financial penalties are the consequence of non-performance, the ISO cannot simply “take back” its payment, since we are not paying for the capacity. There would need to be some method of ensuring that SC for the resource has backing potential penalties that may become due. This is the reason why credit requirements are necessary (whereas other ISO penalties do not necessarily require upfront credit assurance). These requirements will be netted with the SC’s overall portfolio which is currently recalculated monthly based on their estimated aggregated liability. Some criteria will be set in place to calculate this amount which will be rooted in the amount of penalties an SC could potentially be liable for.

In flow chart in Section 3 indicates that credit requirements would be calculated once the tags were established and the ISO has verified that the transaction is valid.

8 TRANSITION ISSUES

8.1 STAKEHOLDER COMMENTS

Various stakeholders submitted comments regarding the grandfathering topic in the issue paper relating their concerns about the need for an transition period while others did not see this as a requirement.

8.2 STAKEHOLDER TRANSITION PROPOSAL

In the October 20, 2008 conference call, stakeholders offered to provide transition proposals to be included in this straw proposal by November 6, 2008. No proposals were submitted.

¹⁶ . Resources less than 10 MW would have their own pool of funds, separate from the pool of funds that resources greater than 10 MW would pay in to, that resources less than 10 MW would potentially be eligible to receive a bonus payment from (self funding).

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9 OTHER ISSUES

The initial SCP Issue paper described some issues that have not been addressed elsewhere in this paper. Those topics are identified here:

- Automated RA Registry – Although this feature may enhance and broaden the current SCP proposal, it appears that the initial offering of SCP can work without this implementing this.
- Bulletin Board – this feature can wait or be provided by a third party
- Development of a Confirmation letter can be handled by stakeholders and is not require development by the ISO.
- Whether SCP should start upon implementation in 2009 or should it wait until the annual showing for 2010 is still an outstanding issue that needs to be addressed but was not a focus in this straw proposal.

10 NEXT STEPS

10.1 STAKEHOLDER COMMENTS REGARDING SCHEDULING

Currently the market design process is on track to file the Standard Capacity Product tariff changes with FERC in February 2009. While some stakeholders, including AReM feel that this schedule is critical to meet in order to enable parties to use the product for the 2010 Annual RA showing, others have expressed concern that the ISO should ensure that the product is thoroughly thought through and developed. Their sentiment is that they would rather get the filing done right the first time, rather than get it done quickly only to revisit and correct the product later. The CPUC and CFCMA, among others, have expressed that it is critical that the product is well designed and they would rather have it done “right than fast”.

In the last round of comments related to expanding the stakeholder process for this project there were several suggestion to augment the current process.

- The Joint Parties (AReM, Constellation, Direct Energy LLC, J. Aron & Company) suggest that two additional stakeholder meetings be held after this straw proposal is published would be beneficial to resolve contentious issues. They suggest adding a day to each of the stakeholder meetings that has already been established, making each engagement a two day event. It is critical to maintain February tariff filing target.
- CFCMA suggested that at least 4 additional meeting are required and are willing to delay the filing to achieve substantial stakeholder consensus.
- PG&E feels that the SCP project should be very limited in scope to maintain the current timeline. If the scope is more comprehensive the ISO should “take the time to get the details right.”
- JP Morgan approach included an issue-staggered biweekly process so that issues can be resolved in parallel
- The CPUC, CAC/EPUC, CDWR/SWP, provided comments subsequent to the October 20 conference call regarding process providing valuable insights, but not directly related to stakeholder process or timing.

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10.2 PROPOSED SCHEDULE

Currently the ISO has scheduled stakeholder meetings for November 18 to discuss this straw proposal and an MSC/Stakeholder meeting on December 11 to review the Final Draft proposal. We agree with stakeholders that additional discussion is warranted prior to a Board of Governors decision and development of Tariff language. Based on workload, timing and availability the ISO proposes additional stakeholder conference call on December 1st. This is the new proposed schedule:

November 18 – Meeting regarding Straw Proposal
November 21 – Written comments due to SCPM@caiso.com
December 1 – Conference Call to discuss proposal
December 4 – Publish Updated Straw Proposal
December 11 – MSC/Stakeholder meeting
December 18 – Written comments due to SCPM@caiso.com
December 23 – Publish Final Draft Proposal
January 26, 27 – Board of Governors Decision
February – File Tariff language.
