Attachment A

Stakeholder Process:
Decision on Capacity Procurement Mechanism and Exceptional Dispatch Provisions

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Summary of Stakeholder Comments

Stakeholders have submitted four rounds of written comments:

- Round One: June 9, 2010 Issue Paper, received June 23, 201
- Round Two: July 15, 2010 Straw Proposal, received July 30, 2010
- Round Three: August 16, 2010 Draft Final Proposal, received September 3, 2010
- Round Four: September 15, 2010 Revised Draft Final Proposal, received September 29, 2010

Stakeholder comments are posted at: http://www.caiso.com/27ae/27ae96bd2e00.html

Other stakeholder efforts include:

- Stakeholder Meetings:
  - August 23, 2010
  - October 8, 2010 (Market Surveillance Committee meeting)
- Stakeholder Conference Calls:
  - June 16, 2010
  - July 22, 2010
  - September 22, 2010
  - October 18, 2010 (Market Surveillance Committee teleconference meeting)

Parties that participated in meetings or conference calls: Mirant, Thompson Coburn, CAC, Modesto Irrigation District, Customized Energy Solutions, Aces Power Marketing, FERC, City of Anaheim, RTO Advisors, City of San Francisco, Turlock Irrigation District, City of Riverside, WAPA, Dynegy, Calpine, NRG, RRI Energy, JP Morgan, WPTF, AReM, Six Cities, TURN, NCPA, CDWR, SCE, PG&E, SCE and CPUC

ISO Proposal Element	Generally Supports	Does not support	ISO Response
1. File CPM and Exceptional Dispatch tariff provisions with no sunset date.	SDG&E, CDWR, SCE, Six Cities, PG&E, NCPA, WPTF and RRI Energy	Dynegy, Calpine, JP Morgan, CPUC, and NRG Lack of sunset date will impede updates to price and design elements.	The ISO has committed to update the price paid for capacity every two years. The ISO will consider revisiting the overall design if market conditions change. The current proposal strikes an appropriate balance with no sunset date and periodic review of price and terms.
2. Provide that ICPM procurement with a term that extends beyond March 31, 2011 can be carried forward into CPM and paid at CPM rate after March 31 without doing a new CPM procurement.	SDG&E, Dynegy, Calpine, CDWR, SCE, JP Morgan, Six Cities, CPUC, PG&E and WPTF		Stakeholders support this proposal element.
3. Pro-rate the compensation paid to CPM capacity that later goes out on planned outage after being procured under CPM.	SDG&E, CDWR, SCE, Six Cities, CPUC, PG&E and NCPA	Dynegy, Calpine, JP Morgan and RRI Energy Resource owners should be able to provide substitute capacity.	The ISO believes it is not necessary to create the additional complication of a substitution rule. If the resource owner submits a request for a planned outage, and the ISO grants a planned outage for a portion of that 30-day period, the ISO believes the simplest and most appropriate course of action is to pay the resource for the portion of the 30 days that it is available.
4. Improve current criteria for selecting from among eligible capacity for CPM procurement by adding a criterion to establish a preference for non-use-limited resources over use-limited resources.	SDG&E, Dynegy, Calpine, CDWR, SCE, JP Morgan, Six Cities, CPUC, PG&E, NCPA and RRI Energy Generally supports as long use-limited resources are not discounted when selecting eligible capacity.		Adding this element to the existing criteria would not mean that the ISO cannot designate use-limited capacity. It would simply mean that this aspect would be one element that would be considered in selecting from among multiple eligible non-RA capacity

ISO Proposal Element	Generally Supports	Does not support	ISO Response
5. Improve current criteria for selecting from among eligible capacity for CPM procurement by adding a criterion to establish an ability to select for needed operational characteristics.	SDG&E, Dynegy, CDWR, JP Morgan, Six Cities, CPUC, PG&E, NCPA, WPTF and RRI Energy	Calpine and SCE Transparent and specific selection of resource qualities is needed to ensure the program is effective.	The ISO will provide market notices outlining the reasons for CPM designations. Operational characteristics will be based on the system need at that time.
6. Procure capacity to allow certain planned transmission or generation maintenance to occur.	SDG&E, Dynegy, CDWR, SCE, JP Morgan, CPUC, NRG and PG&E	Calpine, NCPA and WPTF Resource adequacy counting rules already take into consideration maintenance outages.	The ISO already has this authority under the existing tariff provisions and proposes here to extend that authority for the CPM. The resource adequacy counting rules do not specifically include an allowance for maintenance outages.
7. Procure capacity in situations where the output of intermittent resource adequacy resources is significantly lower than their resource adequacy values.	Dynegy, CDWR, JP Morgan, NRG, PG&E and WPTF Generally support, but backstop procurement may indicate deficiency in CPUC resource adequacy counting process.	SDG&E, Calpine, SCE, CPUC and NCPA Resource adequacy counting rules already take into account variable output. Could increase costs for planning reserve margins.	The current resource adequacy counting rules for intermittent resources cannot preclude that such resource adequacy resources may experience conditions where their output may be significantly below their resource adequacy capacity value for an extended period of time.
8. Procure capacity that is needed for reliability but is at risk of retirement.	Dynegy, CDWR, JP Morgan, NRG and RRI Energy Generally support, but should be infrequent, transparent and with longer term payments based on locational prices. Could also indicate problem with CPUC resource adequacy process.	SDG&E, Calpine, SCE, CPUC, PG&E and NCPA CPUC can procure for this scenario under General Order 167. ISO proposal infringes on CPUC resource adequacy process. Outside of scope for ISO authority. Reliability must run can accomplish same objective. Assessing financial	Both the CPUC and ISO version of this concept are bridging mechanisms designed to ensure reliability by preventing the premature exit of resources needed for reliability. This process would also fit into the CPUC long-term procurement proceeding process where the ISO and the CPUC could identify resources in needed locations and determine the most efficient way to continue the service they provide.

ISO Proposal Element	Generally Supports	Does not support	ISO Response
		conditions could be difficult.	
9. Base compensation paid for CPM on "going-forward fixed costs" plus a 10% adder ($55/kW-year per CEC report), or higher price filed/approved at FERC.	SDG&E, CDWR, SCE, CPUC, PG&E, NCPA and Six Cities Generally support, but cost should be phased in or based on existing unit rather than new combined cycle unit.	Dynegy, Calpine, JP Morgan, WPTF, NRG and RRI Energy Generators are concerned CPM proposal will not provide adequate revenue, investment signals or forward contracting which is needed to incent generation.	Backstop procurement is not designed to incent generation or provide price signals. FERC has stated the going-forward price methodology is just and reasonable. Participation is voluntary and generators can file for higher costs if they believe their actual costs exceed $55/kW-year.
10. Compensate exceptional dispatch at same rate as compensation paid under CPM, or supplemental revenues option.	SDG&E, Dynegy, Calpine, CDWR, SCE, JP Morgan, Six Cities, CPUC , PG&E and NCPA	NRG and RRI Energy CPM rate does not provide adequate compensation.	Most stakeholders support continuing with the same compensation options as are currently in the tariff.
11. Mitigate bids for exceptional dispatches: (1) to mitigate congestion on non-competitive paths, and (2) made under "Delta Dispatch" procedures.	SDG&E, CDWR, SCE, JP Morgan, Six Cities, CPUC, PG&E and NCPA	Dynegy, Calpine, WPTF, NRG and RRI Energy The current competitive path assessment methodology applies bid mitigation for more paths than is warranted, thus under compensating suppliers.	The Department of Market Monitoring is re-visiting the competitive path assessment methodology in a stakeholder initiative that was initiated at the October 8, 2010 Market Surveillance Committee meeting.