Stakeholder Comments Template

Subject: Standard Capacity Product

Comments due COB Thursday 9/11/08

Submitted by	Company	Date Submitted
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The CAISO is requesting written comments on the *Standard Capacity Product Issue Paper* that was discussed at the September 3rd Conference Call. This template is offered as a guide for entities to submit comments; however participants are welcome to submit comments in any format. There is a section at the end of the document to comment on topics that may not be covered in this questionnaire.

All documents related to the Standard Capacity Product Initiative are posted on the CAISO Website at the following link:

http://caiso.com/2030/2030a6e025550.html

Upon completion of this template please submit (in MS Word) to scpm@caiso.com . Submissions are requested by close of business on Thursday, September 11, 2008.

Please submit your comments to the following questions in the spaces indicated. If you are offering proposals or recommendations, please provide the business justification or other rationale for your proposals, including illustrative examples wherever possible.

SCP Overview

1. Slide 8 of the "Review of the Standard Resource Adequacy Capacity Product Issue Paper" presentation (http://caiso.com/2030/2030a6e025550.html) provides an overview of the SCP in the RA Process. Do you agree with this characterization? If not, how would you modify it?

The treatment of legacy (State) contracts is not described.

Roles and Responsibilities

2. What is the dividing line between the obligations of suppliers of RA capacity and those of the LSEs? Does the LSE's responsibility end with its submission of SCP tags to meet its RA requirements, or would there be circumstances where a supplier's failure to deliver required some action on the part of the LSE whose submitted RA capacity is affected?

LSE should not be held responsible for non-performance. At most, a reduction in NQC might obligate the LSE to replacement.

Obligations of RA Capacity

3. What is required of the RA capacity or supplier within the delivery period? In particular, what modifications to the existing RA-MOO are needed? Do parties agree that RA capacity must be available to provide Ancillary Services to the extent they are certified? What other obligations need to be specified in the RA-MOO?

Response Here

4. How standard is standard? How does a "standard" product deal with details like Local Capacity Requirements (LCR)? Use limitations? Non-standard generation, such as demand response or pumped storage hydro? Are there other flavors of the SCP that need to be defined?

CAISO should limit scope of SCP to capacity determination, location is self-evident.

Facilitating Procurement, Registration & Compliance Showings

5. Stakeholders have suggested that the scope should include a bulletin board to facilitate transactions.

   a. What do parties envision as the scope and functionality of such a bulletin board?

Response Here

   b. Is this element essential to getting the SCP up and running? Could the SCP function without it? Can this element be deferred until a later time? Could it be developed by a third party?

Response Here

6. What is the preferred vehicle for transferring capacity tags between parties?

   a. Should a confirmation letter be used to procure RA capacity? If so, what should be the form and standard content of such confirmation letter?

   b. If not, what is the preferred vehicle for transferring SCP tags between parties?

   c. Is this element crucial for the initial filing

Response Here

7. Is an electronic RA Registry essential to the SCP effort, particularly if it may impact the ability to make a FERC filing in early 2009? Could the RA Registry be developed in a later phase?

Response Here

a. What systems or infrastructure are needed or desirable to (1) facilitate trading (2) track ownership (3) enable registration of SCP tags? How can we meet such needs by a relatively simple interim approach for the near term, to be developed later into an end-state approach?

Response Here

b. Is there a reason why an RA Registry is essential to prevent double-counting of RA capacity? The CAISO and CPUC have been validating RA capacity for several years now to ensure that no double counting occurs. Is the current system sufficient?

The current system might suffice for future SCP products that explicitly recognize the new rules. For legacy products (State contracts) the current system does not seem to prevent discrepancies from occurring.

8. What is required of the RA capacity or supplier prior to the delivery period? For example, should the CAISO assume continued use of current procedures such as submission of supply plans, or should alternatives or enhancements be considered within the scope of the SCP? If an RA Registry is created, does it need to include a level of sophistication that would allow the elimination of year-ahead and month-ahead showings and supply plans? Is this aspect of the RA Registry essential? There also is the reality that the CAISO requires supply plans from its SCs because it is the SCs with whom it has a contractual relationship; not the LSEs. RA resource data is currently validated through the supply plans and it is the supply plan information on RA capacity that is entered into and used in the CAISO operating systems. Also, will the CPUC be interested in departing from the current RA convention of year-ahead and month-ahead showings submitted directly to it by its jurisdictional entities? In essence, is it realistic to expect that an electronic mechanism can replace the current system of showings (both RA showings and supply plans)?

Response Here

Performance Standards for RA Capacity

9. Do all stakeholders agree that all obligations for performance should be on the supplier? Are there certain circumstances where the LSE should be required to take some action, particularly if there is a long lead time in which to act?

Yes. No. Performance is the supplier's obligation.

10. What challenges are posed by use-limited resources and demand response resources? What metrics will allow fair and reasonable treatment of these and all other types of resources?

Out of scope – SCP should be determination of NQC and performance metrics.

11. How shall an outage be defined for purposes of calculating availability metrics? What is an acceptable forced outage rate? Should it vary by technology type?

Use existing SLIC or equivalent to measure capacity made available and compare to a target. Legacy (State) contracts already contain performance measures, so penalties against legacy contracts would be double jeopardy. Focus on the new SCP.

12. Should availability factors be broken out and standards developed for specific classes of resources to reflect their unique operating characteristics, i.e., combustion turbine, hydroelectric, demand response, wind, solar?

Use NERC/GADS as industry "standard?" An SCP resource that performs above average is good, an SCP resource that performs below average is penalized.

13. What are the criteria which would trigger procurement of replacement capacity to replace RA capacity that does not or cannot perform sufficiently, as opposed to relying on the margin built into Planning Reserve Margin-based (PRM) RA requirements?

When the sum of RA capacity for an LSE drops below PRM for that LSE, replacement could be procured from a "stack" of resources for sale. Cost of replacement is spread back across the deficient LSEs for that interval (again, like balancing energy.)

a. Should the "forced is forced" principle be continued as is, or is some modification needed in conjunction with the SCP proposal?

Response Here

b. How should costs of replacement capacity be allocated?

14. When, if ever, should insufficient performance by RA capacity have an impact on the LSE that submitted the capacity to meet its RA requirements? For example, in the context of the current monthly RA model, suppose an RA resource is suddenly forced out and will be out for three months of its contracted delivery period. Should the LSE that submitted that resource be required to obtain replacement capacity by the next monthly showing?

Give LSE a chance to replace before it is replaced for that LSE.

Penalties & Other Corrective Actions

15. What are the different functions and incentive effects of financial penalties vs. adjustments to NQC?

Financial penalties are appropriate in the short term. Adjustments to NQC take longer to identify and are more complicated, so should only apply to long term view.

16. To what degree and under what circumstances should the adjustment of NQC of a resource occur?

The next year's NQC for a SCP could be derated by the amount that resource was below average prior year.

17. How might seasonal penalty rates be applied to ensure a very high incentive for resources to perform in high demand periods?

Response Here

Credit Requirements

18. What credit requirements should apply to RA suppliers vs. Scheduling Coordinators for RA capacity?

Response Here

19. What is correct method for calculating the optimal credit requirement?

Response Here

20. Should the credit requirement required for the SCP stand alone or should the liability associated with this product be netted against the overall Accounts Receivable/Accounts Payable (AR/AP) of the SC associated with the RA supplier?

Response Here

Implementation Details

21. Given that an early 2009 tariff filing with FERC is the working target to enable parties to begin RA capacity negotiations based on the SCP as early as possible, what elements of the SCP must be in place to meet both the commercial and the reliability objectives of the SCP by the desired target?

    a. Which elements are crucial for the initial filing?

    b. What additional elements can be resolved in time for an early 2009 FERC filing?

    c. Which elements can wait for a subsequent FERC filing?

    d. Should this be a staged or phased implementation with planned enhancements in future filings?

Proper treatment of legacy (State) contracts is an absolute requirement before moving forward with SCP. Doesn't have to be difficult, but must be dealt with.

22. Assuming the SCP proposal is filed and approved by FERC in spring 2009, should the SCP take effect immediately for use in the monthly RA showings for the remainder of 2009, or only come into play for RA capacity procured for delivery in 2010?

Since most of the 2009 showings will be predominately legacy contracts, it seems logical that SCP contracts be effective in 2010. Unclear how any SCP contracts might be executed in 2009 and available to show in 2009, but if they are, doesn't hurt.

23. The CAISO understands that the end-state vision for the SCP is that it will apply to 100% of the capacity procured to meet RA requirements. Can the SCP definition be applied to 100% of RA Capacity from the start? Is there a need for a transition period to a full implementation of SCP (i.e., short-term "grandfathering" of some existing RA capacity)?

    a. If a transition period is needed what is the rationale for it and how should it be defined?

Transition period is mandatory. It lasts until existing contracts (without SCP provisions) used to meet the PRM requirement have expired. Ratepayers have spent billions on existing contracts that will be stranded if not counted toward PRM requirement.

b. What criteria should be used to define categories of RA resources eligible for grandfathering during the transition period? What shares of RA capacity do these categories represent, and what are the practical implications – e.g., any relaxation of performance obligations, reduction in tradability, impacts on existing supply contracts – of allowing them to be grandfathered?

All existing contracts for capacity must count at full value (subject to a deliverability test) to avoid stranding the ratepayers' current investment.

24. What change management provisions need to be incorporated into the SCP proposal? Besides specifying the provisions for a transition period, if one is determined to be needed, what other change management scenarios must be considered?

Response Here

25. Assignment of SCP tags to eligible RA Capacity

a. Should the SCP simply take the existing counting rules and NQC determination process as given, or are there issues with these existing features of the RA process that need to be addressed in conjunction with the SCP? For example, if different flavors of the SCP have different performance requirements, how can we ensure that simply adding up the pre-determined quantity of SCP tags will result in achieving the desired level of overall system reliability?

Existing counting rules and NQC should be incorporated. Legacy contracts that were executed under different conditions should be counted at face value. Different "flavors" of future contracts is out of scope.

b. Are there other factors besides the counting rules, testing of maximum operating capacity, deliverability assessment, and performance criteria that should figure in the calculation of a resource's MW tag quantity? If so please describe.

Response Here

c. Can we equate the quantity of tags for a resource to its NQC, or is there a need to maintain a distinction between these two terms?

Response Here

d. What is the duration of a tag? Are tags issued anew each year with a one-year term? Or are tags permanent once they are acquired by a resource? If the latter, must a resource that retires or has its NQC reduced in a subsequent year buy back all or some of its outstanding tags? Can NQC be reduced within a given delivery year based on supplier performance?

Response Here

e. How are tags assigned to new capacity investment prior to construction or commercial operation?

Response Here

Other Comments:

Fundamental comment is that existing legacy (State) contracts must be accepted at face value to avoid stranding of ratepayers' investment.