Dynegy Comments on Revised Straw Proposal for Regulatory Must-Take Generation

Submitted By	Company	Date
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Dynegy does not oppose affording scheduling priority to pumping load that ensures delivery of water vital to the health and welfare of California residents.

However, Dynegy does not yet support affording scheduling priority to the non-dispatchable portion of generation from former Qualifying Facilities, as many unanswered questions remain about this proposal.

The CAISO has acknowledged that it will have to develop standards for how to determine what generation is "non-dispatchable" (revised straw proposal at 5 and 8) as well as processes for monitoring and enforcing the scheduling priority that its proposal would afford to such non-dispatchable generation. Dynegy agrees that clear rules must be developed to determine what qualifies as non-dispatchable generation if the CAISO intends to afford scheduling priority to non-dispatchable generation.

However, the CAISO also has not yet explained to Dynegy's satisfaction why non-dispatchable generation should be afforded scheduling priority. On its face, affording scheduling priority to non-dispatchable generation would seem to encourage such status and would run completely counter to the CAISO's increasing needs for flexible (i.e., dispatchable) generation to address the operational needs of a system that will be increasingly challenged by renewable integration issues.

It will be difficult to support, or at least not oppose, the CAISO's proposal for affording scheduling priority to non-dispatchable generation without (1) first understanding the fundamental reasons why such generation should be afforded scheduling priority; (2) an understanding of how the CAISO will address the perverse incentives that would be created by affording scheduling priority to non-dispatchable generation; (3) an understanding of how non-dispatchable generation will be identified, monitored and enforced; and (4) appropriate means to better value the dispatchable generation that will be needed to accommodate the increasing amounts of non-dispatchable generation.