

Comments on the April 6, 2010 Revised Draft Final Proposal for the Standard Capacity Product II

| Submitted By | Company | Date |
|---------------|---------|----------------|
| Brian Theaker | Dynegy | April 20, 2010 |

Dynegy appreciates the CAISO deferring the replacement rule to the CPUC's RA proceeding. While Dynegy supports the concept that the Standard Capacity Product (SCP) apply to all resources that provide RA capacity and that it also be fungible, Southern California Edison's proposed Planned Outage Adjustment approach appears less problematic than the proposal to transfer the scheduled outage replacement to RA sellers, and thus, warrants further consideration.

Dynegy supports much of the CAISO's proposal to apply the SCP availability requirements to resources whose Net Qualifying Capacity (NQC) is determined through historical performance. Specifically, Dynegy supports adjusting such resources' SCP availability based on their mechanical availability. However, Dynegy does not support the proposal to deem such resources fully available in hours in which the resources are not fully mechanically available but their energy output exceeds their Net Qualifying Capacity (NQC). By definition, such resources are not fully available, because they are not fully mechanically available. For such resources, NQC is not a measure of availability *per se*; it is a statistical measure of historical performance that substitutes as a measure of availability, because these resources have no ability to respond to a CAISO dispatch instruction to increase output. Dynegy agrees with Calpine's comments on the April 13, 2010 SCP2 call, that the CAISO's proposal treats these resources preferentially and asymmetrically by allowing energy production to serve as a proxy for availability when such treatment would be more favorable for such resources, but yet not requiring that energy production serve as a proxy for availability when doing so would penalize these resources. While it is reasonable to provide an accommodation for how NQC is determined for these intermittent, weather-dependent resources, SCP availability should remain tied solely to mechanical availability. Availability should not be determined by energy production when it is favorable to use energy production and by mechanical availability when it is not favorable to use energy production. A truly "standard" RA capacity product warrants consistent and non-discriminatory treatment of all resources that meet RA capacity requirements.