

**Comments of**

**Mirant California, LLC,  
Mirant Delta, LLC, and  
Mirant Potrero, LLC re:**

**Updating Interim Capacity Procurement Mechanism  
And Exceptional Dispatch Pricing and Bid Mitigation**

Submitted By	Company	Date Submitted
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On behalf of Mirant California, LLC, Mirant Delta, LLC, and Mirant Potrero, LLC (collectively, Mirant), we offer the following comments on topics related to the June 9, 2010 issue paper titled, "Updating Interim Capacity Procurement Mechanism and Exceptional Dispatch Pricing and Bid Mitigation." Mirant's comments focus solely on issues related to updating the Interim Capacity Procurement Mechanism (ICPM).

As reflected in the following comments, Mirant supports an on-going capacity procurement mechanism for the CAISO. Most importantly, as part of the renewal of the ICPM, or the creation of a successor mechanism, the CAISO must re-examine the tariff rate for the capacity it procures. The current rate, \$41 per kW-year, does not adequately compensate capacity and effectively serves as an artificially low ceiling in the bilateral procurement process currently favored by the CPUC.

**Interim Capacity Procurement Mechanism**

1. Please provide your thoughts on the duration of the tariff provisions associated with a successor to the Interim Capacity Procurement Mechanism (“ICPM”) and whether the tariff provisions should be permanent, i.e. there would not be a sunset date, or have some specified termination date. If you have a specific proposal, please provide it and indicate the reasons for your proposal.

Response: While Mirant supports the renewal or extension of a capacity procurement mechanism such as the ICPM, Mirant does not support a tariff provision permanently establishing such a mechanism. Ultimately, a market-based solution to capacity procurement is the desired end-state. In the absence of a market-based solution, an extension of ICPM should last no more than three years. Mirant places little faith in the concept that an administratively-set procurement mechanism will adequately compensate generators. By sunseting the tariff provision, the CAISO will ensure that a regular review with further opportunity to either replace or correct the tariff will occur.

2. Please provide your thoughts regarding the compensation that should be paid for capacity procured under ICPM and Exceptional Dispatch. If you have a specific proposal, please provide it and indicate the reasons for your proposal.

Response: For purposes of revising the current \$41 per kW-year rate reflected in the ICPM tariff, the CAISO should conduct a review of the cost of new generation less associated energy value of that capacity. At a minimum, the CAISO must update the analysis that led to the \$41 rate to reflect changes in the cost of capacity since that analysis last occurred.

3. Please provide your thoughts on the ISO’s suggestion to broaden ICPM procurement authority through creation of a new category that would allow the ISO to procure capacity for up to 12 months in order to make resources with operational characteristics that are needed to reliably operate the electric grid available to the ISO.

Response: Conceptually, Mirant can support the expansion of ICPM to procure capacity for up to 12 months. Procurements of this duration would buttress the need to re-calibrate the tariff rate for capacity with a focus on the cost of new generation. Depending upon the associated rules and equitable compensation to generation, expansion of the ICPM in this manner could provide better signals to generators than exist in the current environment.

4. Please provide your thoughts on the ISO's suggestion to modify the criteria that would be used for choosing a resource to procure under ICPM from among various eligible resources so that it recognizes characteristics such as dispatchability and other operational characteristics that enhance reliable operations.

Response: Although Mirant does not have a set of criteria to offer at this time, Mirant does believe that the integration of renewables will make it important for the CAISO to have the ability to choose among resources based upon the operating characteristics necessary to ensure the stability of the grid.

5. Please provide your thoughts on the appropriate treatment of resources that may be procured through Exceptional Dispatch but then go out on Planned Outage during the period for which the resource has been procured. If you have a specific proposal, please provide it and indicate the reasons for your proposal.

Response: Mirant supports treatment of Planned Outages in a manner consistent with the California Public Utilities Commission's Resource Adequacy rules. Specifically, applicable penalties should be based on the time of the year in which the Planned Outage is taken and the duration of the Planned Outage.

6. If you would like to identify other issues that you believe should be discussed in this stakeholder initiative, please discuss those issues here.

Response: No comments at this time.

### **Exceptional Dispatch**

7. Please provide your thoughts on what fair compensation is for non-Resource Adequacy, Reliability Must-Run Contract or ICPM capacity that is Exceptionally Dispatched.

Response: No comments at this time.

8. Please provide your thoughts on whether energy bids for resources dispatched under Exceptional Dispatch should continue to be mitigated under certain

circumstances. If you have a specific proposal, please provide it, and indicate the reasons for your proposal.

Response: No comments at this time.

9. Please provide your thoughts on whether to change the categories of bids subject to mitigation under Exceptional Dispatch (Targeted, Limited and FERC Approved) and whether to extend the bid mitigation for the existing categories.

Response: No comments at this time.

10. If you would like to identify other issues that you believe should be discussed in this stakeholder initiative, please discuss those issues here.

Response: No comments at this time.

### Other

11. Please provide any additional comments regarding any other topic that you want to address.

Response: No comments at this time.