

Stakeholder Comments Template

Exceptional Dispatch Review and Assessment White Paper June 10, 2010

Submitted by	Company	Date Submitted
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This template has been created to help stakeholders submit written comments on topics related to the June 10, 2010 “Exceptional Dispatch Review and Assessment White Paper” and topics discussed during the stakeholder meeting on June 17, 2010. **Please submit your comments in Microsoft Word to wmccartney@caiso.com no later than the close of business on July 1, 2010.** Information on this Exceptional Dispatch initiative can be found at: <http://www.caiso.com/1c89/1c89d76950e00.html>.

Please add your comments below.

1. Decline in Exceptional Dispatch. Do you agree that Exceptional Dispatch has declined? The White Paper concludes that Exceptional Dispatch has declined by approximately 70% in terms of MWh volume, percentage of load, total hours and frequency. The White Paper also concludes that costs associated with Exceptional Dispatch have declined by as much as 65%. Do you agree that a level of Exceptional Dispatch in this range can be considered acceptable?

The CAISO has clearly made good progress in reducing the frequency of exceptional dispatch, as measured by comparing percentage of load or actual MWh basis or cost for the January through March 2010 period to the July through December 2009 period. However, the CAISO should be cautious in concluding that the level of Exceptional Dispatch is in an acceptable range as seasonal differences may not be fully reflected in the White Paper’s comparisons, and results may be less favorable under more challenging operating conditions. The CAISO must also consider whether measures such as the use of on-line capacity constraints are consistent with the CAISO’s long term objectives for market transparency and the reliable integration of renewable resources, as further discussed below.

2. Significance of Exceptional Dispatch. Do you see Exceptional Dispatch as a significant issue? The White Paper notes that Exceptional Dispatch is only a monthly average of 0.25% of load during January-March 2010.

The volume and frequency of Exceptional Dispatch is one relevant criterion regarding the efficiency and effectiveness of the CAISO's markets. However, the most important consideration is whether the trend in Exceptional Dispatch reflects progress toward viable and sustainable markets that will assure the CAISO can reliably integrate 33% renewables. To achieve this end, RRI believes that the CAISO must provide opportunity for suppliers of reliability services to be compensated for unbundled reliability products that the CAISO procures competitively – and transparently.

3. Need for New Market Product. Do you see a need for a new market product? The White Paper concludes that the modeling and software improvements undertaken to date have significantly reduced Exceptional Dispatch.

The paper states that “the development of new products specifically designed to reduce the frequency of Exceptional Dispatch is not warranted.” This statement seems premature given the limited experience the CAISO has during challenging operating conditions. Additionally, whether or not new products are required to reduce the frequency of Exceptional Dispatch is too narrow a perspective in considering whether new products are required. In fact, it seems likely that new products to integrate renewable resources will be required – and may have a corollary benefit of reducing the volume or frequency of Exceptional Dispatch. An additional consideration is that the use of on-line capacity constraints may mask the need for additional reliability services, and fail to make fully transparent the reliability services the CAISO requires. New products may make the reliability services appropriated through on-line capacity constraints more transparent and assure their continued availability.

While use of on-line capacity constraints is preferable to an out of market mechanism, such measures should not be viewed as an end state for two important reasons: 1) Such constraints lack transparency regarding the need, and 2) rather than specify a requirement for unbundled, competitively procured market products, on-line capacity constraints effectively appropriate required reliability services without compensation to the suppliers.

The CAISO's current practice of appropriating capacity to satisfy constraints in excess of requirements for existing Ancillary Services, as currently defined in the CAISO Tariff, seems at odds with the statement Yakout Mansour made during the CEO report at the May 2010 meeting of the Board of Governors. Mr. Mansour noted that Ancillary services will be vital to achieving larger renewable integration, that these services will have high value, and for generators to stay in business they will need to be paid the real value of these services. RRI believes these essential

services must be transparently defined and competitively procured rather than appropriated by the CAISO without compensation (or transparency).

4. Monthly Reports. Given that the information in the Monthly Table 1 Report is entirely contained in the Monthly Table 2 Report, and that the ISO also makes Exceptional Dispatch information available in the monthly Market Performance Report, do you see a need for the ISO to continue to provide all three reports?

Changes in the organization of information published regarding the use of Exceptional Dispatch may be reasonable, but as part of any review of the format or process for publishing information on Exceptional Dispatch, the CAISO should consider how to increase the timeliness, transparency and value of information published – in particular regarding the nature and volume of the capacity services the CAISO implicitly procures through Exceptional Dispatch.

5. Other Comments?

RRI appreciates the CAISO's consideration of these comments.