

SWP's comments on ISO 2nd Draft Final Proposal on Standard Resource Adequacy Capacity Product

March 5, 2009

The California Department of Water Resources State Water Project (SWP) appreciates the opportunity to provide comments to the California Independent System Operator (CAISO) on its 2nd draft final proposal "Standard Resource Adequacy Capacity Product" dated February 27, 2009. SWP respectfully submits following comments and questions to the CAISO on the whitepaper.

3.1 Implementing the standard capacity product:

On page 7, Figure 1 (ISO RA process under MRTU) shows some inadvertent exclusion such as validation of supply plans and RA plans for non-CPUC jurisdictional entities and exceptions to Use Limited Resources (ULR) in the IFM and RUC bidding requirements. This is just to point out an error in the process flow chart.

3.2 The ancillary services must offer obligation:

SWP believes that ancillary services (AS) must offer requirement issue is a part of Reserve Scarcity Pricing mechanism stakeholder process. SWP had submitted its comments to the CAISO on July 25, 2008. SWP has not heard anything or got feedback about its comments with respect to AS must offer for RA resources. Therefore, SWP would like to get clarifications on AS must offer issues that were raised in its comments. SWP believes it is needless to raise those issues in this forum again.

6 Availability standard and incentives:

- i) SWP understands that issues related to participating loads that are used as RA resources are deferred.
- ii) the proposal indicates that the CAISO will review the current codes in SLIC relative to submittal of ambient cards and proposes to use only one code for temperature-derate that will count against monthly availability of RA resources. How outages that are caused by the Uncontrollable Forces (not counted against monthly availability) will be submitted using ambient cards is not clear if only one code related to temperature derate is used.
- iii) On page 22, the non-availability charge formula appears to have an error. If the dead band is 5%, then the formula should be using half of the dead band in place of dead band. The formula should be:
(Target availability – Dead Band * 1/2 – A_{jn}) * RA capacity in KW * replacement cost of ISO backstop procurement
Similar concept should apply to availability credits also.

In addition to above comments, SWP seeks CAISO clarifications on unit substitution, and transition issues raised in the previous set of comments.