

## Stakeholder Comments Template

### Subject: Capacity Procurement Mechanism and Compensation and Bid Mitigation for Exceptional Dispatch

Submitted by	Company	Date Submitted
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This template has been created to help stakeholders provide their written comments on the September 15, 2010 “Revised Draft Final Proposal for Capacity Procurement Mechanism and Compensation and Bid Mitigation for Exceptional Dispatch.” Please submit comments in Microsoft Word to [bmcallister@caiso.com](mailto:bmcallister@caiso.com) no later than the close of business September 29, 2010.

This template is structured to assist the ISO in clearly communicating to the ISO Board of Governors your company’s position on each of the elements of the Revised Draft Final Proposal. In particular, the ISO is interested in whether your company generally supports or does not support each element of the proposal and your reasons for those positions. Please provide your comments below.

Proposal Element	Generally Support	Do not Support
1. File CPM and Exceptional Dispatch tariff provisions with no sunset date.	<i>It appears that reliability capacity procurement for RA backstop, significant events, and exceptional dispatch is a proven necessity although the magnitude is not that significant. The tariff could remain open ended with periodic reviews.</i>	
2. Provide that ICPM procurement with a term that extends beyond March 31, 2011 can be carried forward into CPM and paid at CPM rate after March 31 without doing a new CPM procurement.	<i>It is acceptable.</i>	
3. Pro-rate the compensation paid to CPM capacity that later goes out on planned outage after being procured under CPM.	<i>Rescission of CPM capacity payment for the portion of unavailability is justifiable. However, simply financial penalty may not address the reliability</i>	

Proposal Element	Generally Support	Do not Support
	<p>concerns once the CPM capacity unit goes out on planned outage. How the CAISO will respond physically to ensure the reliability in such events should be made clear. For example, will the CAISO use exceptional dispatch? If so, how will the cost allocations be made?</p>	
<p>4. Improve current criteria for selecting from among eligible capacity for CPM procurement by adding a criterion to establish a preference for non-use-limited resources over use-limited resources.</p>	<p>Comment provided at “Other Comments” section below.</p>	
<p>5. Improve current criteria for selecting from among eligible capacity for CPM procurement by adding a criterion to establish an ability to select for needed operational characteristics.</p>	<p>Establishing criteria to meet operational characteristics is acceptable. However, the draft final proposal is not specific and does not provide any such operational characteristics that would be considered in making CPM decisions.</p>	
<p>6. Procure capacity to allow certain planned transmission or generation maintenance to occur.</p>	<p>Ensuring reliability of the grid is important to all and the CAISO as the manager of the grid should have useful tools to address reliability concerns. In that regard capacity procurement is a necessity. However, any capacity procurement should be thoroughly examined and cost obligation should be allocated following cost causation principle. Planned transmission maintenance may not be associated to a specific entity; the planned generation maintenance can be associated to a supplier. The cost associated with the CAISO procurement of CPM capacity to address that generation maintenance should be appropriately allocated to the corresponding entity. If this</p>	

Proposal Element	Generally Support	Do not Support
	<p>category of procurement falls under the significant event, then the allocation of costs should be revisited as this is a new category identified.</p>	
<p>7. Procure capacity in situations where the output of intermittent Resource Adequacy resources is significantly lower than their RA values.</p>	<p>The need for capacity procurement due to uncertainty of intermittent resources is undeniable. However, the proposal should ensure that the cost associated with the capacity procurement in order to address the shortfall created by poor performance of intermittent RA resource through the CPM should be allocated to the corresponding supplier entity. The resulting costs can be paramount (about 35,000MW intermittent resource active projects are in the queue). Therefore, the cost allocation aspect may need revision whether this category of procurement falls under significant event or ED in order to ensure that cost allocation follows cost causation. It appears that this category could fall under both significant event and ED. In either case cost allocation should be revisited as this is a new category identified.</p>	
<p>8. Procure capacity that is needed for reliability but is at risk of retirement.</p>		
<p>9. Base compensation paid for CPM on “going-forward fixed costs” plus a 10% adder (\$55/kW-year per CEC report), or higher price filed/approved at FERC.</p>	<p>Generally supports ‘going forward fixed cost’ basis; a market mechanism for such capacity procurement would be better. Capacity market with a price cap of suggested compensation could be a goal of future development; As the going forward fixed cost may change from time to time, a periodic review of cost may be required.</p>	

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<p>10. Compensate Exceptional Dispatch at same rate as compensation paid under CPM, or supplemental revenues option.</p>	<p>SWP supports compensating Exceptional Dispatched resources capacity payment. In this way, Exceptionally Dispatched resources are allowed to earn revenue to recover the capacity related cost.</p>	
<p>11. Mitigate bids for Exceptional Dispatches: (1) to mitigate congestion on non-competitive paths, and (2) made under "Delta Dispatch" procedures.</p>	<p>SWP supports extension of the existing bid mitigations for the Exceptional Dispatches. The mitigations ensures that Exceptionally Dispatched resources are paid reasonable amount of revenue</p>	

Other Comments

4. Improve current criteria for selecting from among eligible capacity for CPM procurement by adding a criterion to establish a preference for non-use-limited resources over use-limited resources:

It is acceptable to have preference of a particular non-use limited resource over a use limited provided that the non-use limited resource has comprehensive attributes that are superior compared to a use limited resource. However, there may be situations where a use limited resource may be historically more reliably available during the critical peak hours (such as SCP availability assessment hours when ISO grid reliability is at most risk) compared to non-use limited resource. Another example could be that the non-use limited resource may be expensive than other use limited resources that meet the reliability criteria and can reliably provide capacity during the critical hours when the grid reliability is at risk. So the selection criteria should be based on the effectiveness and economic efficiency rather than only on resource type (use limited vs. non-use limited).