

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 was created to help stakeholders structure their written comments on topics related to the August 16, 2010 Draft Final Proposal for Capacity Procurement Mechanism, and Compensation and Bid Mitigation for Exceptional Dispatch. Please submit comments (in MS Word) to bmcallister@caiso.com no later than the close of business on September 3, 2010.

Please add your comments below where indicated. Your comments on any aspect of the proposal are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and the business case.

Overall Proposal

1. Whether you support the overall proposal.
2. Whether the proposal strikes the appropriate balance among difficult issues.

Capacity Procurement Mechanism ("CPM")

3. Whether the tariff provisions should have a specific sunset date or be open-ended.

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.

4. The ability to procure capacity for planned transmission and generator outages or sustained, significant less-than-planned-output of intermittent resources.

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. This particular question is most relevant to exceptional dispatch as mentioned in the draft final proposal in which the CAISO states that the CAISO's authority to exercise exceptional dispatch will not sunset with the ICPM. In the report the CAISO has demonstrated that capacity procurement for these events has occurred under the exceptional dispatch category.

5. The proposed treatment of procured capacity that subsequently goes out on planned outage during the period for which the capacity has been procured.

Rescission of CPM capacity payment for the portion of unavailability is justifiable. However, simply financial penalty may not address the reliability 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.

6. Modification of the criteria under section 43.3 of the ISO tariff for selecting capacity from among eligible capacity.

Selection process should realize the need for availability of resources during the coincident peak time period (for example, SCP availability assessment hours) when the CAISO grid is at reliability risk. Use limited resources that can be made available consistently during those critical hours may be better than a non-use limited resource that may not be available consistently during those critical hours. A use limited resource may be cheaper than non-use limited.

7. Procurement of capacity that is needed for reliability and is at risk of retirement.
8. The compensation methodology for resources procured under CPM and Exceptional Dispatch.

Exceptional Dispatch

1. Linking compensation for Exceptional Dispatch to the CPM Payment.

SWP supports compensating Exceptionally Dispatched resources capacity payment. In this way, Exceptionally Dispatched resources are allowed to earn revenue to recover the capacity related cost.

2. Extending the existing bid mitigation.

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.

Other

1. Additional comments.