

## 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.

General comments:

As noted in the CAISO’s September 22, 2010 presentation, and consistent with WPTF’s prior comments, WPTF remains opposed to the fundamental pricing proposal contained in the CAISO Draft final proposal. WPTF’s opposition is based on the premise that “Going Forward Pricing” by the CAISO for capacity that is procured to meet deficiencies or to meet requirements that have not been included in the determination of resource adequacy obligations is procurement at the margin and should be priced as such; ie., should be priced at the cost of new entry, adjusted, if necessary, to reflect the overall level of resources at the margin that could meet the CAISO identified requirement. Moreover, WPTF’s opposition to the Draft Final Proposal is also based on the fact that the circumstances under which the CAISO will initiate backstop procurement are too broad and ill-defined, and fail to explain why such procurement is necessary including addressing what is needed in addition to a 15% planning reserve margin. The CAISO has rejected WPTF’s request that it provide a comparison with the frameworks used by other ISO/RTOs to assure long term resource adequacy including the role of backstop procurement. Finally, the proposal does not provide any incentive for forward contracting that would assure required resources are available, or other mechanism to ensure that the CAISO (and CPUC, as necessary) will make improvements to the RA program so that the need for CAISO “backstop” procurement will be reduced over time. For these reasons, WPTF opposes the Draft Final proposal.

Proposal Element	Generally Support	Do not Support
1. File CPM and Exceptional Dispatch tariff provisions with no sunset date.		WPTF agrees that a permanent structure is acceptable so long there is a periodic (e.g., 2 year) review and mechanisms to adjust pricing if such pricing is based on market conditions. However, WPTF does not support the proposed CPM as a permanent backstop mechanism. Rather, as expressed in prior comments, the CAISO should encourage the CPUC to adopt RA program criteria that will minimize the need for need for backstop procurement by the CAISO and any remaining backstop procurement provisions in the CAISO Tariff should be designed to provide effective price signals and periodically reviewed for appropriateness.
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.	WPTF has no particular opposition to this design element.	
3. Pro-rate the compensation paid to CPM capacity that later goes out on planned outage after being procured under CPM.	WPTF does not have a uniform position on this at this time.	
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.	WPTF may be supportive if selection criteria is clear....	...but WPTF continues to be concerned about product differentiation without respective compensation differentiation.
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.	WPTF recognizes that the CAISO needs to procure those services that it requires for reliability.	As indicated in prior comments, WPTF believes that if distinguished products are needed they should be defined and priced accordingly.
6. Procure capacity to allow certain planned transmission or generation maintenance to occur.		Please refer to WPTF's general comments

Proposal Element	Generally Support	Do not Support
7. Procure capacity in situations where the output of intermittent Resource Adequacy resources is significantly lower than their RA values.	WPTF has no objection to the CAISO's procurement to satisfy immediate short-run reliability needs, however...	...if the CAISO determines that the counting rules are insufficient or inaccurate, it seems that the PRM should provide the necessary excess capacity on the system until the NQC can be fixed. WPTF does not understand why there should be a need for backstop procurement to meet this requirement. Also, as indicated in prior comments, NQC counting rules should be revisited if the CAISO requires additional procurement for this.
8. Procure capacity that is needed for reliability but is at risk of retirement.	WPTF supports providing resources needed for reliability with the revenues needed to justify continued operation, but...	WPTF does not support doing so with short-term CPM designations that ignore the practical long-term needs of providing capacity. For example, it is unclear how long such a resource would continue to be paid under the CPM mechanism for this purpose. A better outcome is to have competitive forward contracting that adequately compensates needed supply.
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.	WPTF does appreciate that the CAISO's proposal obviates the needs to determine a PER deduction.	WPTF does not support paying a price that does not include a return on capital investment. WPTF does believe the CAISO should consider compensation that will provide new entry signals rather than simply going forward costs.
10. Compensate Exceptional Dispatch at same rate as compensation paid under CPM, or supplemental revenues option.	WPTF supports providing similar treatment for exceptionally dispatched non-RA, non-RMR capacity.	WPTF objects to some aspects of the CPM proposal, including the term of designation, partial unit designation and the going-forward-only price paid to CPM capacity
11. Mitigate bids for Exceptional Dispatches: (1) to mitigate congestion on non-competitive paths, and (2) made under "Delta Dispatch" procedures.		WPTF opposes the application of the CPA because the current CPA over mitigates.

### Other Comments

1. If you would like to provide additional comments, please do so here.