

**COMMENTS OF THE
ALLIANCE FOR RETAIL ENERGY MARKETS
ON THE CAISO's APRIL 6, 2010 DRAFT FINAL PROPOSAL
FOR THE STANDARD CAPACITY PRODUCT II**

The Alliance for Retail Energy Markets (AReM)¹ provides the following comments on the CAISO's draft final proposal on the Standard Resource Adequacy (RA) Capacity Product (SCP) II, issued April 6, 2010.

AReM is extremely disappointed that the CAISO has failed to address the primary issue that has prevented a tradable standard capacity product from emerging in the market, *i.e.*, the replacement obligation for RA capacity currently required for load-serving entities (LSEs) under the rules of the California Public Utilities Commission (CPUC). Rather than address the specific issue at hand, namely *transferring the existing replacement obligation to generators* under the CAISO tariff, as requested by the parties, the CAISO elected to attempt to *broaden* that obligation thereby creating controversy.

Since 2004 when the RA requirements were first being debated at the CPUC, AReM and many other parties have strongly advocated the steps necessary to allow the SCP to develop. More than six years have passed and still we await its emergence. The very first step toward this product was only taken in January 2010 with the CAISO's implementation of its SCP tariff rules.

AReM opposes continued delay and urges the CAISO to move forward quickly with an optional replacement obligation for System RA capacity only, which mirrors the CPUC rule it is intended to replace. If the CAISO makes and carries through on this commitment, it could implement tariff changes in time for the SCP to emerge for use during monthly RA filings in the 2011 compliance year. AReM finds it unacceptable to continue to delay this issue until the 2012 RA compliance year as the CAISO proposes.

*Submitted by:
Sue Mara
RTOAdvisors, L.L.C.
On Behalf of AReM
April 20, 2010*

¹ AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California's direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.