

**COMMENTS OF THE  
ALLIANCE FOR RETAIL ENERGY MARKETS  
ON THE CAISO's DECEMBER 4, 2009 ISSUE PAPER  
ON STANDARD CAPACITY PRODUCT II**

The Alliance for Retail Energy Markets (AReM)<sup>1</sup> appreciates the opportunity to provide comments on the CAISO's Issue Paper on Standard Capacity Product (SCP) II, issued December 4, 2009. AReM has no comment at this time on the CAISO's proposals to put in place new rules for eliminating the SCP exemption for certain Resource Adequacy (RA) resources. Rather, AReM focuses on a critical change required in the CAISO's tariff to allow the development of a tradable SCP.

Currently, load-serving entities (LSEs) that meet the RA requirements determined by the California Public Utilities Commission (CPUC) are obligated to replace RA capacity when RA resources they procure have scheduled outages. In D.09-06-028, the CPUC deferred a decision on "whether the existing replacement requirement of the scheduled outage counting protocol should be eliminated if the SCP is implemented."<sup>2</sup> Because this issue was not decided in D.09-06-028, market participants were unable to develop a standardized RA contract for 2010 RA compliance. Instead, LSEs subject to the RA compliance rules were required to devote extensive time and resources to negotiate unit-specific outage and compliance provisions for each bilateral RA contract.

AReM has waited years for the SCP to be incorporated into the CAISO's tariff and is frustrated that no tradable product can emerge while the replacement obligation remains tied to LSEs. The CPUC is considering eliminating this LSE requirement in Phase 1 of R.09-10-032.

At the December 14, 2009 workshop at the CPUC, both RA sellers and buyers agreed that the obligation to replace RA capacity belongs with the seller, which has the knowledge and the technical expertise to manage this risk and provide replacement capacity when needed. Further, under its tariff rules, the CAISO has complete control over the amount and location of resources allowed to take scheduled outages at any time. The LSE has no role in this activity and no knowledge of such events.

AReM believes it would be a simple matter to modify the CAISO Tariff to make clear that the LSE has no responsibility for replacement capacity when the CAISO approves a scheduled outage. In fact, the current unit substitution rules may be applicable with only minor modifications.

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<sup>1</sup> 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.

<sup>2</sup> D.09-06-028, p. 44.

AReM looks forward to working with the CAISO to remedy the one issue that has prevented the emergence of an SCP. We began this journey in 2004 and still wait for a truly standardized product. Rather than solely focusing on the few resources that are currently exempt, the CAISO needs to fix what's broken now to ensure that parties can fully implement the SCP for 2011 RA compliance. AReM respectfully requests the CAISO's urgent attention to this issue and immediate action to revise its tariff to remedy the problem.

*Submitted by:*

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*On Behalf of AReM*

*December 21, 2009*