

**COMMENTS OF THE
ALLIANCE FOR RETAIL ENERGY MARKETS
ON THE CAISO's JANUARY 19, 2010 STRAW PROPOSAL
ON STANDARD CAPACITY PRODUCT II**

The Alliance for Retail Energy Markets (AReM)¹ appreciates the opportunity to provide comments on the CAISO's Straw Proposal on Standard Capacity Product (SCP) II, issued January 19, 2010.

AReM applauds the responsiveness of the CAISO for agreeing to add a critical feature to the scope of work for SCP II, that is, revising the CAISO tariff to provide an alternative mechanism to address the potential reduction in the amount of available capacity due to planned outages. The CAISO's proposal to incorporate such rules into the CAISO tariff, coupled with removing the current replacement obligation by load-serving entities (LSEs) subject to the jurisdiction of the California Public Utilities Commission (CPUC),² should finally allow a tradable and liquid RA capacity market to emerge. The CAISO's proposal appears to be simple and workable and AReM looks forward to working with other stakeholders to refine these rules.

AReM also supports the CAISO's decision to defer further discussion of the exemption from the SCP availability standards for demand response resources. AReM agrees that current activities at the CPUC in R.07-01-041 and R.09-10-032 should be completed before the CAISO can evaluate how to apply SCP availability standards to such resources.

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On Behalf of AReM
February 2, 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.

² This issue is being addressed at the CPUC in Phase 1 of R.09-10-032.