

RESPONSES OF CFCMA TO CAISO STANDARD CAPACITY PRODUCT TIMETABLE

This document presents the comments of the California Forward Capacity Market Advocates (“CFCMA”) on the timetables and proposed stakeholder topics for development of the Standard Capacity Product (“SCP”). CFCMA is composed of five members companies: FPL Energy, NRG Energy, Reliant Energy, San Diego Gas & Electric Company (“SDG&E”), and Southern California Edison Company.

The thoughtful development of the SCP is very important not only for retailers but for suppliers and utilities. Suppliers have a direct commercial interest in creating clarity and certainty as to the rights and obligations they would take on as a capacity resource. Utilities seek to ensure the reliability of electric service throughout the state and equitable cost allocation for this reliability support. Therefore, we share retailers’ keen interest in the development of the SCP.

In summary, as CFCMA stated in our initial comments on September 16, 2008, we are concerned that the timetable presented by CAISO does not allow for sufficient time to develop a sound SCP. We encourage CAISO, therefore, to:

- Add at least four additional full days of stakeholder meetings prior to finalizing the SCP design;
- Be willing to delay filing the SCP tariff revisions by a month or more as needed to achieve substantial stakeholder consensus on a fundamentally sound SCP design.

1. TOPICS FOR STAKEHOLDER RESPONSE

We concur with comments made during the recent conference call that more than one stakeholder meeting will be needed to build consensus around a good SCP design. CFCMA supports the topics to be discussed proposed by AReM:

1. Tag issues (quantity, term, use, general obligations other than performance)
2. Performance metrics, financial incentives, and associated credit requirements
3. Transition

In addition to these topics, we believe it is essential to resolve whether an ancillary services must-offer obligation (“A/S MOO”) will be implemented, as well as the scope of such an A/S MOO.

These topics should be discussed at distinct meetings, to allow stakeholders to send particular staff members with appropriate expertise to less than all of the meetings. CFCMA’s sense is that the general tag issues can be largely resolved by a single day of meetings, provided that we are working from the understanding that the QC/NQC determination already established is not being reopened at this time. Another single day should be sufficient for transition topics. Three days of stakeholder meetings (as proposed by AReM) or more are likely needed to resolve the second suite of issues and the A/S MOO issue.

In the end, we believe it is necessary that CAISO file a complete tariff package, covering not only the role of the SCP for LSE RA compliance demonstration but also specifying the obligations of SCP suppliers. Until suppliers understand what their obligations will be, they may be unable or unwilling to sell at a reasonable price an open-ended commitment to take on as-yet unspecified commitments.

2. SCHEDULE

We agree that CAISO should proceed to issue its straw proposal on November 6; this will provide a starting point for subsequent discussions. However, the CAISO's SCP Development Timeline, presented during the October 20, 2008 teleconference, would schedule only two stakeholder meetings: one on November 13 and a joint stakeholder/Market Surveillance Committee ("MSC") meeting on December 11. Considering the number of issues to be resolved in connection with SCP development, two stakeholder meetings will not be sufficient. Moreover, the general forum at stakeholder/MSC joint meetings is that MSC provides proposals for stakeholder responses, which will not allow adequate time for extensive stakeholder discussions regarding the five SCP issues outlined above.

We believe that at least three stakeholder meetings should be held prior to the comments on the straw proposal, currently scheduled for Nov. 20. The remaining two meetings could occur after the Draft Final Proposal is released.

CFCMA notes that achieving the tight timetable is strongly dependent on the CAISO beginning the stakeholder discussions with sound, implementable starting points. In developing eastern forward capacity markets, there was a tremendous range in the time required to negotiate these provisions. If the straw proposal provides substantial detail, meets CAISO needs, and is sensitive to the commercial issues of stakeholders, the timetable we lay out above could be sufficient. On the other hand, if a substantial rewrite is needed, much more time may be required. We encourage the CAISO, therefore, to provide as detailed a straw proposal as possible in the time available and to engage in additional, informal outreach to stakeholders even prior to issuing the straw proposal.

Even if the straw proposal is detailed and complete, given the holidays during this period, this is an ambitious schedule within the current timetable, even *if* only four additional days of stakeholder meetings are sufficient. If these stakeholder discussions are productive but not conclusive, we believe that CAISO should be willing to extend its timetable by a month, or possibly more, in order to achieve broad consensus on an SCP that meets both the commercial needs of the stakeholders and the reliability needs of CAISO. If FERC is presented with a proposal that is complete, reasonable, and largely (or entirely) uncontested, such an extension of the stakeholder input period could still result in a timely approval.