

PUBLIC UTILITIES COMMISSION
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December 21, 2009

To: CAISO
Re: CAISO Issue Paper for Standardized Capacity Product, Phase II
From: Kevin Dudney, kd1@cpuc.ca.gov; Jamie Gannon, jrg@cpuc.ca.gov;
Elizabeth Dorman, edd@cpuc.ca.gov

The CPUC staff appreciates the CAISO's effort to move forward with extending the Standard Capacity Product (SCP) to exempt resource types, and intends to collaborate with the CAISO on this effort. The CAISO's December 4th, 2009 SCP II Issue Paper identifies the background of the SCP II and some of the issues the initiative faces. The CPUC staff has reviewed the Issue Paper and held a workshop on this subject. The SCP II workshop, held at the CPUC on December 14 within the scope of Rulemaking (R.) 09-10-032, gave interested parties an opportunity to brainstorm about some of the issues identified in the CAISO Issue Paper as well as other issues related to the SCP. The CPUC staff offers the following comments in regards to SCP issues and the CAISO SCP II Issue Paper.

First, page six of the December 4 Issue Paper notes that the Replacement Rule is not considered within the scope of the SCP II initiative. The CPUC staff understands the CAISO's position that the SCP II initiative must be focused on ending the exemptions of certain resource types. However, parties commented¹ that SCP is not meeting its goals due to the continuation of the LSE based replacement obligation for scheduled outages; the CPUC staff agrees that this is a concern. It is possible that this issue may be addressed within the upcoming scoping memo to be issued in R.09-10-032, and the CPUC staff encourages the CAISO to continue close involvement in that process.

Second, the CPUC staff is concerned with the double counting of forced outages, noted on page seven of the Issue Paper. During discussion at the December 14th SCP II workshop, most parties present agreed that the "Historical Output Correction" methodology adopted in D.09-06-028 to correct historical data for scheduled outages could be a sufficient methodology for correcting for forced outages. This may be an appropriate step for the CPUC to take toward ending the exemption for intermittent resources.

Third, during the December 14th workshop, parties raised questions regarding how the CAISO currently ensures that resources correctly report outage information. The CPUC staff requests that the CAISO staff study the SLIC reporting requirements relevant to intermittent resources and outage reporting. The CPUC staff suggests that the CAISO should verify that proper incentives exist for accuracy in the SLIC outage data commensurate with the potential for financial penalties under SCP, and assure that proper reporting is occurring.

¹ DRA, TURN, Calpine, and AREM all advocated this position in comments or reply comments on R.09-10-032. Additional parties including IEP, PG&E, and SDG&E have advocated this position at the Prehearing Conference in R.09-10-032.

Last, pages three to four of the Issue Paper discusses how the CAISO will integrate demand response into its markets and systems. The counting rules for demand response resources raise more complex issues, which are currently being looked at in other proceedings. During both the Prehearing Conference in R.09-10-032 and the December 14th workshop parties voiced their concerns about the issues surrounding demand response; many parties suggest that it may be appropriate to delay SCP extension to demand response.