

Stakeholder Comments Template
Subject: Standard Capacity Product II
(Comments due April 1, 2010)

The CAISO is requesting written comments on the Standard Capacity Product Phase II that was discussed in a Stakeholder Conference Call on March 24, 2010. Comments are to be submitted to scpm@caiso.com by April 1, 2010.

Submitted By	Company	Date Submitted
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The Division of Ratepayer Advocates (DRA) appreciates the opportunity to submit these comments on the CAISO's Standard Capacity Product (SCP) II on two subjects:

- Availability Calculation Options
- Replacement Rule Options

Both subjects were discussed during the Stakeholder Conference Call on March 24, 2010.

1. Extending SCP to “temporarily exempt” RA Resources

FERC’s June 26, 2009 order deferred application of SCP to resources whose Qualifying Capacity (QC) is determined using historical output data, i.e. primarily wind and solar resources. The CAISO recommends changing the QC of these resources to address the “double counting” concern. One proposed method of calculating the QC is to use the actual production data, but limit it to the number of hours the facility was available at its full nameplate capacity. Another method proposed by the CAISO would be to calculate QC using “proxy” energy for forced outage hours and then add them to the actual historical production

At the March 24, 2010 Stakeholder Conference Call, CAISO presented three examples on QC and availability of intermittent resources. There were many questions asked by stakeholders, and in DRA’s view, not many satisfactory answers. For instance, in Example 3 (on slide 14) the Pmax is 100 MW and there is 50% de-rate. The QC is calculated to be 15 MW and 10 MW of RA capacity is sold. Since there is 50% de-rate, then of the 15 MW QC, only 7.5 MW is available. The resource delivered 2 MWh and based on CAISO’s example, there is 5.5 MW deficiency since the MW available was 7.5 MW and the MW delivered was only 2 MW. However, as one stakeholder pointed out on the call, if under a 50% de-rate, the actual delivery was 2 MW, then it follows that if there was no de-rate, the actual availability for that hour would be 4 MW (i.e., double the actual 2 MW production) rather than 50% of 15 MW QC (which is 7.5 MW). Thus, this demonstrates a flaw in the way that the CAISO is calculating the availability of the intermittent resource in this example.

DRA would like to point out that the application of SCP rules to the intermittent RA resources will be creating significant ambiguities and measurement problems in calculating the availability of these resources, as well as the application of rewards and penalties for availability of these resources.

As has been pointed out by DRA in its previous comments, under the current contracts for intermittent renewable resources, the resource is paid only for the energy produced; there are no capacity payments. The CAISO’s position is that these contracts will be grandfathered and not subject to the SCP rules. The CAISO expects that in the future, contracts for these types of resources will specify the RA capacity sold, and there will be a contract price for such a capacity.

DRA submits that the application of SCP rules to intermittent resources will create two major problems: First, the cost to customers for new renewable contracts will increase; second, many disputes will be created regarding the existing contracts. Introducing a new RA capacity payment for intermittent resources in contracts may create confusion over whether there is RA capacity available under existing contracts. While buyers will want to claim RA capacity for these intermittent resources based on their QC value, the suppliers may dispute this, and may not show RA capacity for these resources in their supply plans submitted to the CAISO. (Rather, suppliers may claim that no RA capacity was sold, as there was no payment in the contracts for capacity.)

DRA respectfully recommends that intermittent resources should be permanently exempt from SCP rules since the introduction of capacity payments for these resources will increase ratepayer costs, and that the calculation of the availability metric will be adding complexity to the process, without any actual increase in the availability of these resources.

2. Replacement Rule Options

The options discussed in the March 24, 2010 Stakeholder Conference Call were:

- Refine Draft Final Proposal
- Refine Straw Proposal
- Extend CPUC Replacement Rule

Under the first option, Refine Draft Final Proposed Replacement Rule, the supplier would be required to: (a) designate the non-RA capacity available to replace a unit on a scheduled outage; (b) designate replacement local RA resources in the same area, if possible, for planned outages; and (c) if replacement is not provided, then if required, the CAISO will procure capacity and allocate costs under the Interim Capacity Procurement Mechanism.

Under the Refine the Straw Proposal Replacement Rule option, the monthly supply plans will identify the RA capacity for planned outages that last more than one week, and any replacement capacity for RA if the supplier chooses to designate an alternate. If the supplier does not provide replacement capacity, the CAISO has the option of (a) denying or rescheduling the outage; (b) approving the outage and

procuring replacement capacity through the ICPM, and (c) approving the outage and not procuring replacement capacity at its discretion, if not needed.

Finally, the Extend CPUC Replacement Rule provides time to consider all of the options, the CAISO's original proposal and the Straw Proposal. DRA supports this option and recommends that this issue be discussed and resolved in the CPUC's RA Phase II Proceeding. SCE's replacement rules and other alternatives should be reviewed and evaluated in detail. DRA believes that waiting and getting the right replacement rule will provide more benefits than rushing the process and establishing a rule that might be costly to the ratepayers.