Stakeholder Comments Template
Subject: Standard Capacity Product II
Comments due Friday 12/18/09

The CAISO is requesting written comments on the *Standard Capacity Product Issue Paper* that was discussed at the December 11, 2009 stakeholder meeting and December 14, 2009 CPUC Workshop. Comments should be submitted to scpm@caiso.com.

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 stakeholder process.

1. The stakeholder process should focus on improving the current SCP, before seeking to apply it to exempted products.

Currently, the CAISO's SCP Tariff covers Resource Adequacy (RA) resources, but defers implementation for (1) demand response resources; and (2) resources whose Qualifying Capacity is based on historical output, i.e. wind, solar, non-dispatchable cogeneration, biomass and geothermal facilities (hereafter, collectively referred to as "Exempted Resources"). DRA understands that the CAISO originally proposed a temporary exemption for these types of resources, and that the FERC Order of June 26, 2009, requires the CAISO to work diligently with the CPUC and stakeholders towards a "sunset" for these exemptions, but no firm deadline has been imposed by the FERC. DRA instead suggests the stakeholder process should focus on improving the current SCP, before seeking to extend it to these exempted products. Furthermore, DRA suggests that there is no real need to apply the SCP to these exempted products, as DRA does not know of any renewable RA capacity being resold or traded by the IOUs.

2. Exempted Resources do not receive capacity payments; and do not need the same performance incentives as other resources.

As discussed in the CPUC workshops on the Standard Capacity Product (SCP) II on December 14, 2009, DRA does not believe that it makes sense to extend the SCP to these Exempted Resources. With respect to the QF's, wind and solar resources, they are compensated differently than other RA resources; they receive payment for the energy they produce, i.e., they are paid in $/MWh. The buyer negotiates the terms and conditions of the contract, which provide that the buyer makes payments based on the amount of energy produced; in addition to the energy, buyer receives RA capacity based on a detailed approved methodology. Generally, the seller is not paid any separate amount for this capacity, nor is the capacity of these contracts traded separately. (Of course, ownership of renewable projects have changed hands; however, when this happens, the new owner is still subject to the terms and conditions of the existing contracts.)

3. Forced outage penalties should not apply to wind and solar resources.

DRA also recommends that for the wind and solar resources, there should not be a penalty for forced outages. When a wind turbine is under a scheduled or forced outage, there is no energy production, and usually no revenue for the seller. Therefore, the seller has every incentive to reduce its down time, since he will lose 100% of his revenue when his unit is down. DRA recommends that the Standard RA Capacity of renewable resources should be the NQC, with no additional availability incentives (penalty or bonus), since 100% of the payment for a unit is lost when this unit is forced out and production is lost.

4- CAISO should set requirements for the Demand Response programs.

Demand Response (DR) programs are also the product of detailed negotiated contracts. The CAISO should set the minimum requirements and then let the buyer negotiate the terms and conditions, and make sure that the CAISO requirements are satisfied. For example, the CAISO can specify that at a minimum, the seller has to provide at least 50 hours of availability within a 10 minutes notification timeframe in order to be qualified for RA. The charges for not meeting these requirements usually will be specified in the contract between the buyer and the DR provider. However, CAISO can also specify that the charges be based on the replacement cost. If this becomes a part of the tariff, then the contract between buyer and DR provider will have to reflect these CAISO requirements. .

5- Qualifying Capacity calculation improvements.

As stated above, DRA does not believe there is a need for additional incentives or penalties for the Exempted Resources. As there is no capacity payment in these types of contracts, suppliers are paid only for energy produced, therefore, they already have the incentives to produce at the maximum level.

Nevertheless, if the CAISO and stakeholders are determined to provide such additional incentives, DRA suggests that one approach would be to base this on changes in the value of the QC of the resource over time. It is difficult to calculate the availability of renewable resources; therefore, DRA suggests that the changes in QC value could be used as a proxy. (For wind and solar resources, the QC is determined by past production; this takes into account: (1) forced outages; (2) scheduled maintenance and overhauls, (3) all ambient conditions such as wind, the number of hours of sunshine and other conditions; (4) the performance of turbines and all other elements that influence the productivity of energy.) As QC changes over time, then there should be a reduction or increase in the QC. The Seller will be responsible for these changes. There should be no availability standard for the "fleet" for wind and solar, because the QC of each unit is different. DRA believes that this approach would be preferable to looking at the forced outage rate of an individual wind mill or solar panel, and then attempting to calculate the availability.