

Stakeholder Comments Template
Subject: Standard Capacity Product II
Comments due February 2, 2010

The CAISO is requesting written comments on the *Standard Capacity Product Issue Paper* that dated January 19, 2010. Comments should be submitted to scpm@caiso.com.

The Division of Ratepayer Advocates (DRA) appreciates the opportunity to submit these comments on the CAISO's Standard Capacity Product (SCP) II stakeholder process. DRA's mission is to ensure the lowest rates for ratepayers consistent with maintaining safety and

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reliability of electricity services. These comments will focus on three main areas of the CAISO's proposal:

Issue 1: CAISO proposes to extend the SCP to RA resources that were temporarily exempt from the SCP, in compliance with FERC's order of June 28, 2009. The exempt resources were intermittent resources, and demand response resources.

DRA Comment: DRA does not believe that intermittent resources such as wind and solar are suitable for performance penalties and rewards under the SCP FERC-approved tariff. Intermittent resources generally are paid for energy, in dollars per MWh; there are no capacity payments made to these resources. Because of this, they already have an incentive to produce, in that they are only paid when they produce energy. Thus, even though they contribute to the RA capacity, they should not incur penalties for not providing capacity. DRA recommends that the CAISO respond to FERC's order, and explain why the current exemption for renewable/RPS should continue indefinitely.

For the demand response programs, DRA recommends that the CAISO also maintain the current

exemption, and await the outcome of a final decision in the CPUC's Demand Response proceeding (R.07-01-041), which will address many issues related to the CAISO's proposal.

Issue 2: The CAISO proposes to modify the SCP to measure the availability of Non-Resource Specific System Resources based on bidding on SLIC-reported outages and de-rates, rather than based on bidding behavior.

DRA Comment: DRA is not certain that these Non-Resource Specific System Resources should be measured by relying on the CAISO's SLIC database. (These are contracts for a certain MW amount of System RA, but are not unit-specific.) The SLIC database tells us what has happened in the past, but does not necessarily predict future performance. Moreover, there is another CAISO stakeholder process dealing with the Non-Resource Specific RA Straw Proposal. DRA suggests that this is the appropriate forum for resolution of this issue. The results of the Non-Resource Specific RA (NRS-RA) proceeding should then be incorporated into the SCP process.

After participating in the January 29th Conference call in the NRS-RA stakeholder process, DRA proposes that NRS Resources from outside of California should be deemed available, unless the tie to the outside system is disconnected. If the line from a specific resource that was making the delivery was curtailed or if that specific resource becomes unavailable, then the supplier will have the obligation to make delivery from a different source. If only a portion of the resource is not delivered due to transmission congestion in CAISO system, then this will **not** be counted as unavailable for that NRS-RA.

Issue 3: In both the CPUC's proceeding and the CAISO's stakeholder process on SCP, parties have sought to put the RA performance obligations on the suppliers of RA capacity rather than the Load Serving Entity (LSE). This would involve eliminating the CPUC's current "Replacement Rule" for LSE's, and incorporating the suppliers' performance obligations into the CAISO Tariff. The CAISO proposes the following measures as a means to ensure reliability in the event that CPUC eliminates the RA Replacement Rule: The CAISO has the option of approving or denying the requested planned outage; and if it approves the planned outage, it may either (a) procure backstop procurement through the current ICPM backstop mechanism, and allocate the costs of replacement RA capacity to the supplier; or (b) approve the outage and not procure backstop capacity.

DRA Comment: DRA supports the CAISO's proposal, provided that the replacement capacity is charged to the responsible supplier, as proposed. The CAISO Tariff will need to be changed in order to reflect these new measures.