

Submitted By	Company	Date
Brian Theaker	Dynegy	April 1, 2010

Replacement Rule

Dynegy cannot support the CAISO's replacement proposal in light of the CAISO's unwillingness to consider grandfathering RA contracts that already impose the obligation on the seller to replace RA capacity on planned outage. Without grandfathering, under the CAISO's proposal, a seller that fails to replace RA capacity on planned outage would be subject both to (1) penalties under their RA contract and (2) any ICPM procurement costs.

Dynegy supports leaving the current replacement rule in place until the Southern California Edison Planned Outage Adjustment proposal can be fully evaluated, even if it cannot be evaluated until Phase 2 of the current RA rulemaking (R.09-10-032).

Availability calculation with actual energy delivery considered

Dynegy supports the CAISO's initial proposal – to de-rate a resource's "available NQC" in proportion to reductions to its mechanical availability.

Dynegy does not support the proposal to deem a mechanically de-rated resource completely available just because it produces energy in excess of its NQC. Producing energy does not always benefit reliability. An intermittent resource that is mechanically de-rated but produces energy in excess of its NQC at 5 AM is not providing any meaningful contribution to reliability. It is more likely to be contributing to over-generation conditions, to the detriment of system reliability. RA capacity that benefits reliability is capacity that can produce energy in response to a CAISO dispatch instruction, not capacity that produces energy without instruction whenever it can.

NQC for non-dispatchable intermittent resources is calculated from historical output and de-linked from mechanical availability because these resources cannot respond to dispatch instructions (except to reduce output). The analog to allowing intermittent resources to be declared fully available when they produce energy in excess of their NQC even though they are mechanically de-rated, is to allow dispatchable generators to be declared fully available when they are not fully mechanically available if the CAISO dispatches them to, and does not require them to operate above, a value less than their NQC. It's hard to imagine the CAISO agreeing to that, but that is the danger of conflating energy production with mechanical availability. RA capacity availability should be based on mechanical availability, not energy production.