

Dynergy Comments on the Standard Capacity Product II Draft Final Proposal
March 4, 2010

Submitted By	Company	Date
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- Proposal for Deferred Resource Types

Dynergy strongly supports the CAISO's proposal to adjust the availability of resources whose NQC is determined from historical output based on the mechanical availability of the resource.

Several parties on the February 26 phone call offered that it was unfair for a resource that was providing more energy output than its NQC in an hour to receive an availability penalty in that same hour simply because the resource was not fully mechanically available. Dynergy agrees with the CAISO that while this outcome may be odd, it is not unfair. For a non-dispatchable resource that is presumed to be always operating at its full availability, availability must either be based fully on mechanical availability, or on energy output. Availability cannot be based on the resource's energy output when that would provide a more favorable outcome, but on mechanical availability when that would produce a more favorable outcome. If availability is based solely on mechanical availability, then availability should be calculated as a percentage of nameplate capacity, as the CAISO proposes.

- Elimination of the CPUC's "Replacement Rule"

Dynergy's initial position – that it was not opposed to transferring the obligation to replace capacity on scheduled outage from the LSE buyer to the supplier seller – was primarily based on the fact that its current RA contracts already impose that replacement obligation on Dynergy. However, Dynergy also agrees with the observation on the February 26 call that an LSE buyer may be in a far better position to secure replacement capacity than an LSE seller, especially if that seller has sold its entire portfolio as RA capacity.

Dynergy still remains open to considering transferring this obligation to the seller, but several important details need to be worked out. First, Dynergy reiterates that existing RA contracts that impose a penalty on the seller if it fails to replace the capacity must be grandfathered. Otherwise, a seller that fails to replace capacity will be penalized twice – first, for failing to replace the capacity, and second, by being assessed ICPM charges when the CAISO procures replacement capacity.

Second, Dynergy perceives that the details of the proposal for how the obligation would be transferred to the seller do not match up with the current requirements (or lack thereof) for replacing local capacity on scheduled outage. Dynergy would be less willing to accept having this obligation transferred to the seller if doing so imposes more restrictive conditions or obligations than currently in place.

Finally, Dynergy is intrigued by SCE's proposal to eliminate the scheduled outage replacement rule in favor of increasing the system RA procurement target. This proposal may be far more reasonable than simply transferring the obligation to the seller. Whether this proposal is more reasonable than the current rules, which require the buyer to replace capacity on a scheduled outage, likely depends on the

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implementing details, in particular how and how much the procurement targets will be adjusted to account for scheduled outages. Dynergy requests that additional time be given to allow SCE to develop and present the details of how this proposal would work.