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## **NCPA Comments on CAISO Draft Final Proposal Standard Capacity Product II**

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Northern California Power Agency (“NCPA”) is pleased to have the opportunity to submit these comments on CAISO’s Standard Capacity Product II (“SCP II”) Draft Final Proposal, dated February 19, 2010.

NCPA remains concerned with CAISO’s proposal to incorporate a Replacement Rule in the CAISO tariff. CAISO has not provided sufficient evidence that a Replacement Rule is either required or beneficial to the market. CAISO claims the following qualitative benefits for incorporating a Replacement Rule in its tariff; 1) CAISO claims that the Replacement Rule will make SCP more fungible, and 2) CAISO claims that the Replacement Rule is required to maintain reliability. CAISO’s Draft Final Proposal provides no support for these claimed benefits.

If implemented, the Replacement Rule will increase costs for ratepayers and NCPA believes it is the responsibility of CAISO to provide quantitative evidence demonstrating that reliability will be negatively impacted if a Replacement Rule is not incorporated into the CAISO tariff. NCPA requests that CAISO calculate what percentage of total Resource Adequacy capacity has historically been unavailable due to planned maintenance, by month, to determine if such percentage is significant and can negatively impact the effectiveness of the established fifteen percent (15%) planning reserve margin that a majority, if not all, CAISO load serving entities have adopted in their respective Resource Adequacy Programs. NCPA is not aware of a technical study that explicitly proves that the established fifteen percent (15%) planning reserve margin does not already account for planned outages of generation. Without such proof, NCPA assumes that the established fifteen percent (15%) planning reserve margin does account for planned maintenance, therefore incorporating a Replacement Rule would result in a belt and suspenders type requirement. In order for NCPA to fully evaluate the possible benefits of the proposed Replacement Rule, NCPA requires the information requested above. Without such information NCPA cannot support the Replacement Rule as proposed by CAISO.

The CAISO Draft Final Proposal also lacks implementation details regarding the Replacement Rule. NCPA is unclear if the proposed Replacement Rule will impact the availability calculations adopted under SCP. If so, NCPA requests that CAISO clarify whether or not the SCP availability standards established as a benchmark for Resource Adequacy availability will be adjusted to now include planned outages in addition to forced outages and temperature related ambient derates.