

## Stakeholder Comments Template

### Subject: Updating Interim Capacity Procurement Mechanism And Exceptional Dispatch Pricing and Bid Mitigation

Submitted By	Company	Date Submitted
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This template has been created to help stakeholders submit written comments on topics related to the June 9, 2010 “Updating Interim Capacity Procurement Mechanism and Exceptional Dispatch Pricing and Bid Mitigation” Issue Paper and June 16, 2010 stakeholder conference call. The Issue Paper and information regarding this stakeholder initiative can be found at <http://www.caiso.com/27ae/27ae96bd2e00.html>.

Please submit your comments on the items listed below in Microsoft Word to [bmcallister@caiso.com](mailto:bmcallister@caiso.com) no later than the close of business on June 23, 2010.

Your comments on any aspect of this stakeholder initiative are welcome. The comments received will assist the ISO with developing a straw proposal.

#### **Interim Capacity Procurement Mechanism**

1. Please provide your thoughts on the duration of the tariff provisions associated with a successor to the Interim Capacity Procurement Mechanism (“ICPM”) and whether the tariff provisions should be permanent, i.e. there would not be a sunset date, or have some specified termination date. If you have a specific proposal, please provide it and indicate the reasons for your proposal.

NCPA generally supports the development of a permanent capacity backstop procurement mechanism that is used to support system reliability under limited and specific circumstances. NCPA does not believe that ICPM should be used as a substitute for other market based mechanisms; therefore NCPA’s support for incorporating a capacity backstop mechanism as a permanent feature in the CAISO tariff is contingent upon clarification of what new CPM Category is contemplated in the issue paper.

2. Please provide your thoughts regarding the compensation that should be paid for capacity procured under ICPM and Exceptional Dispatch. If you have a specific proposal, please provide it and indicate the reasons for your proposal.

Compensation for capacity procured under ICPM should be based upon the going-forward fixed costs for existing generating units most likely to be procured or dispatch using ICPM, plus a reasonable and defined allowance for O&M costs. Establishing a level of compensation for ICPM with the objective of providing an incentive for new investment is not appropriate or consistent with the scope of ICPM. As documented in Table 1 of the CAISO issue paper ICPM compensation to date has only been required in fifteen instances (pursuant to Exceptional Dispatch) which should prove that use of ICPM has been scarce. As a result, it is not reasonable to assume that a developer would factor the possibility of ICPM compensation into the decision to build or not build a generation resource.

3. Please provide your thoughts on the ISO's suggestion to broaden ICPM procurement authority through creation of a new category that would allow the ISO to procure capacity for up to 12 months in order to make resources with operational characteristics that are needed to reliably operate the electric grid available to the ISO.

The CAISO issue paper provides no explanation to justify expansion of ICPM by adding a new CPM category. NCPA believes that ICPM procurement should be minimized and used to support system reliability under limited and specific circumstances. Without further detail and explanation of why such expansion would be required, NCPA does not support expansion of the CAISO's procurement authority.

4. Please provide your thoughts on the ISO's suggestion to modify the criteria that would be used for choosing a resource to procure under ICPM from among various eligible resources so that it recognizes characteristics such as dispatchability and other operational characteristics that enhance reliable operations.

NCPA generally supports refinement of the criteria that is used by CAISO for choosing a resource to procure under ICPM to ensure CAISO is able to meet its operational needs, but such support is contingent upon the ICPM mechanism remaining a voluntary commitment, in which generation owners have the ability to opt out or decline an ICPM designation.

5. Please provide your thoughts on the appropriate treatment of resources that may be procured through Exceptional Dispatch but then go out on Planned Outage during the period for which the resource has been procured. If you have a specific proposal, please provide it and indicate the reasons for your proposal.

A resource that has been procured through Exceptional Dispatch should not receive a capacity payment for any period during which it is unavailable due to a Planned Outage. The CAISO should give the Scheduling Coordinator for such a resource the option of rescheduling the Planned Outage to a time acceptable to the CAISO or proceeding with the Planned Outage and forfeiting the capacity payment during the time period covered by the outage.

6. If you would like to identify other issues that you believe should be discussed in this stakeholder initiative, please discuss those issues here.

### **Exceptional Dispatch**

7. Please provide your thoughts on what fair compensation is for non-Resource Adequacy, Reliability Must-Run Contract or ICPM capacity that is Exceptionally Dispatched.

Non-Resource Adequacy, Reliability Must-Run Contract or ICPM capacity that is Exceptionally Dispatched should receive a capacity payment no greater than a one-month payment based on the capacity price adopted in this initiative. As NCPA describes above, such price should be based upon the going-forward costs for existing capacity, plus a reasonable allowance for O&M.

8. Please provide your thoughts on whether energy bids for resources dispatched under Exceptional Dispatch should continue to be mitigated under certain circumstances. If you have a specific proposal, please provide it, and indicate the reasons for your proposal.

NCPA believes that Energy Bids for resources dispatched under Exceptional Dispatch should continue to be mitigated under certain circumstances where such Bids reflect non-competitive conditions.

9. Please provide your thoughts on whether to change the categories of bids subject to mitigation under Exceptional Dispatch (Targeted, Limited and FERC Approved) and whether to extend the bid mitigation for the existing categories.

No comment at this time.

10. If you would like to identify other issues that you believe should be discussed in this stakeholder initiative, please discuss those issues here.

**Other**

11. Please provide any additional comments regarding any other topic that your want to address.

In Section 5.4 of the CAISO issue paper the CAISO states the following:

The ISO has not observed many instances of resources opting for the “relaxed mitigation” option rather than the incremental ICPM designation. Hence, for purposes of simplification, the ISO would propose removing that option from the tariff.

Based on NCPA’s understanding of this statement, NCPA disagrees with the proposal to eliminate the Supplemental Revenues option for compensation. The incremental ICPM designation compensation option results in a resource being subject to a Must Offer obligation for the balance of the designation period. For those generation owners who do not wish to be subject to the Must Offer obligation associated with ICPM designation, the only option that currently exists is the Supplemental Revenues option. Eliminating the Supplemental Revenues option will have a material impact on a generation owner’s operational control of a facility that is Exceptionally Dispatched; therefore the Supplemental Revenues option should not be eliminated for the purpose of simplification.