

**Comments of Shell Energy North America (US), L.P. on CAISO
Draft Final Proposal
Standard Capacity Product II
February 19, 2010**

Submitted by	Company	Date Submitted
<i>Mike Evans (858) 526-2103</i>	<i>Shell Energy North America (US), L.P.</i>	<i>March 3, 2010</i>

Shell Energy North America (US), L.P. (Shell Energy) appreciates the opportunity to provide comments to the CAISO Draft Final Proposal, Standard Capacity Product II dated February 19, 2010. These comments are very similar to comments provided to the January 19 straw proposal.

1. Extension of proceeding by 1 month – Shell Energy would not be impacted in its 2011 procurement if the ISO extended the stakeholder process by 1 month. We believe the extra month would significantly help the stakeholder process and the formulation of a viable proposal.
2. Replacement Rule Considerations – Shell Energy supports a replacement rule for local units which are on planned outages which replicates the current CPUC process that requires system RA capacity be procured when a local RA capacity resource is on a planned outage. The ISO can help the RA deal flow by eliminating uncertainty and providing for better cost certainty by addressing two issues in its proposal.

First, the ISO proposes that a supplier “make a best effort” to replace local RA capacity. This is an unclear standard. In addition, frequently local non-RA replacement capacity in the same local area is simply not available. We recommend that this reference to “best effort” be deleted with a requirement to replace local RA capacity on a planned outage with system RA capacity.

Second, the ISO proposes that if it decides to procure local RA capacity through ICPM, it will charge the supplier at least a share of the ICPM cost. It is very difficult to contract for RA capacity with this rule which exposes the supplier to an unknown, likely significant cost, simply for a planned outage. It is important to point out that the ISO has approval authority over planned outage scheduling, and we anticipate that it approves outages with grid reliability as its priority. Therefore, it appears unnecessary to include this provision which would greatly complicate the process of being able to contract for RA capacity due to unknown costs. We recommend that this condition, which allows the ISO to procure local RA capacity under the ICPM designation and charge the supplier, be removed and that the current CPUC replacement rule to replace local RA capacity on a planned outage with system RA capacity be utilized.

3. SCE Proposal – We support further discussions regarding the SCE proposal to increase the local RA requirement proportionate to historical planned outages and believe this may offer a balanced solution to the market. We hope that extra time may allow for development of this proposal.