

## CDWR-SWP's comments on the CAISO Straw Proposal on Standard Capacity Product: SCP II

February 2, 2010

The California Department of Water Resources State Water Project (SWP) appreciates the opportunity to provide comments to the California Independent System Operator (CAISO) on its straw proposal "Standard Capacity Product II" dated January 19, 2010. SWP respectfully submits following comments:

1. Straw proposal on deferred resources types: The CAISO recognizes that participating load (wholesale Demand Response) that is offline (although a designated RA resource) should not be penalized for being in forced outage because the "no load" or "reduced load" does not impose capacity requirement. SWP fully agrees with the CAISO's recognition. A participating load that is providing RA capacity for itself may not be available fully or partially if it is not pumping or is pumping at reduced capacity, in other word, forced outage for the designated RA resource. The outage caused by "no pumping" or "reduced pumping" should not be penalized as being unavailable because it does not cause capacity requirement. On April 16, 2009, SWP had provided its comments to the CAISO with regard to the Standard Capacity Product (SCP) draft tariff language outlining the same issue for participating load on tariff section §40.6.1 and §40.6.2 (link: <http://www.aiso.com/2393/2393ad161b810.pdf>). SWP supports the CAISO proposal to address the availability metrics for demand response resources through a separate stakeholder process.
2. Straw proposal on elimination of CPUC's "Replacement Rule": The straw proposal states *"Under this proposal, when an RA resource intends to take a planned outage in a particular month, the supplier will indicate the details of the intended outage in its supply plan submitted to the ISO and put a request into SLIC for a planned outage. The supplier will have the opportunity to replace the RA resource during the planned outage period with a non-RA resource in accordance with the same substitution rules already approved for unit substitution under SCP. If the substitute capacity submitted by the supplier is acceptable to the ISO then the supplier will have met its replacement requirement for that particular planned outage. If, however, the supplier does not offer acceptable replacement capacity to the ISO, the ISO may, based on anticipated system conditions or other operational considerations, (1) deny or reschedule the requested planned outage, (2) approve the requested outage and procure additional replacement capacity through the ICPM or whatever mechanism may replace ICPM in the future, or (3) approve the requested outage and not procure additional replacement capacity. If the ISO operators determine that (2) is the appropriate action for the situation, either in advance of or during the operating month, the ISO will allocate the cost of the replacement capacity to the supplier of the RA capacity on the planned outage."*

Since the proposal is targeted towards CPUC's "Replacement Rule", it could be construed as a proposal to address only CPUC jurisdictional entities. However, Local Regulatory Authority monitored entities may also have similar instances where the designated RA resource may have planned outages although the "Replacement Rule" does not exist for them. The flexibility afforded in the proposed mechanism for substitution of RA capacity under planned outage should be equally available to all RA capacities under planned outage.

3. Straw proposal on Non-resource specific (NRS) system resources: Section 49.2.2, exempting grandfathered capacity contracts from Availability Standards should be revised to preserve the exemption for non-resource specific system resources also if non-resource specific System Resources are going to be newly subject to these requirements including generated bid insertion. An excerpt from the CAISO tariff on SCP exemptions:

**40.9.2 Exemptions.**

The following exemptions apply to the CAISO's Availability Standards program of this Section 40.9:

(2) Capacity under a *resource specific power supply contract* that existed prior to June 28, 2009 and Resource Adequacy Capacity that was procured under a contract that was either executed or submitted to the applicable Local Regulatory Authority for approval prior to June 28, 2009, and is associated with specific Generating Units or System Resources, will not be subject to Non-Availability Charges or Availability Incentive Payments. Such contracted Resource Adequacy Capacity, *except for non Resource-Specific System Resources*, will be included in the development of Availability Standards and will be subject to any Outage reporting requirements necessary for this purpose. The exemption will apply only for the initial term of the contract and to the MW capacity quantity and Resource Adequacy Resources specified in the contract prior to June 28, 2009. The exemption shall terminate upon the conclusion of the initial contract term. Exempt contracts may be re-assigned or undergo novation on or after June 28, 2009, but the exemption shall not apply for any extended contract term, increased capacity quantity or additional resource(s) beyond those specified in the contract prior to June 28, 2009. Scheduling Coordinators for Resource Adequacy Resources subject to these contracts will be required to certify the start date of the contract, the expiration date, the Resource ID(s), and the amount of Resource Adequacy Capacity associated with each Resource ID included in the contract. (Emphasis added)

This tariff section needs to be revised to preserve the exemption for grandfathered contracts System Resources including non-resource specific also, which provide valuable capacity but could not have been written with these new Availability Standards requirements in mind. Such contracts may well not clearly differentiate between resource specific and non-resource specific capacity. For instance, a primary specific resource may be contemplated, with seller substitution rights to support a firm capacity obligation.

The 40.9.2.(2) exemption was written to address a "resource specific power supply" because only resource specific supplies were subject to the Availability Standards requirements and in need of exemption. Now that the requirements are being broadened including generated bid insertion for non-resource specific system resource, the exemption should be broadened as well to include non-resource specific system resource.