

Stakeholder Comments Template

Subject: Capacity Procurement Mechanism, and Compensation and Bid Mitigation for Exceptional Dispatch

Submitted by	Company	Date Submitted
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This template was created to help stakeholders structure their written comments on topics related to the July 15, 2010 Straw Proposal for Capacity Procurement Mechanism (“CPM”), and Compensation and Bid Mitigation for Exceptional Dispatch. Please submit comments (in MS Word) to bmcallister@caiso.com no later than the close of business on July 30, 2010.

Please add your comments where indicated responding to the topic or question raised. Your comments on any aspect of the straw proposal are welcome. The comments received will assist the ISO with the development of the Draft Final Proposal.

Please provide your comments on the following topics and questions. Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

CPM

1. The appropriate duration of the tariff provisions associated with the CPM: should they be permanent or terminate on a certain date or under certain conditions? If the CPM should terminate, please be specific about the date or conditions upon which it would terminate and indicate the reasons for your proposal.

TURN supports the straw proposal for a durable backstop mechanism that will remain in place until changed, like other CAISO tariff provisions. With respect to updating the level of compensation, TURN suggests doing so every two or three years, depending upon the extent of changes in market conditions.

2. The appropriate treatment of resources that may be procured through CPM or Exceptional Dispatch but then go out on Planned Outage during the period for which the resource has been procured. What are your views on the proposed formula in the straw proposal for compensating such resources?

TURN supports the straw proposal on this topic.

3. Modification of the criteria for choosing a resource to procure under CPM (section 43.3) to provide the ISO with the ability to procure non-use limited capacity over use-limited capacity.

TURN supports the straw proposal on this issue.

4. The three new types of procurement authority for generic backstop capacity the ISO is proposing.

TURN supports the procurement of generic capacity through the CPM to allow for planned maintenance to take place. With the respect to the other two elements in the straw proposal – backstopping intermittent resources and preventing the shutdown of units that are need for reliability – TURN can support these additional categories only if the CAISO uses the authority with great discretion. To the greatest extent possible, operational needs should be reflected in the Resource Adequacy requirements that apply to Load Serving Entities, in order to avoid the need for backstop procurement. CAISO backstop procurement should be a last resort, not a routine action. Justification for any procurement under these criteria must be fully transparent.

5. The compensation that should be paid for generic capacity procured under CPM and Exceptional Dispatch. Which method do you support: Option A – CONE net of peak energy rent; or Option B – going forward costs? Are there further modifications needed to either of these pricing options? If you have a specific alternative pricing proposal, please provide it and indicate the reasons for your proposal.

TURN supports Option B and strongly opposes Option A. The relevant state regulatory authority – the CPUC – has just recently rejected the concept of a centralized capacity market, yet the Option A proposal appears to suggest that the CAISO attempt to implement a limited form of such a market on its own initiative. The CAISO should not be in the position of second-guessing state policy decisions. Limited backstop procurement by the CAISO from the existing resource base is not a valid means for incenting new investment, and the State has decided to do so through the Long-Term Procurement Planning process and Renewable Portfolio Standard requirements. The CAISO would be trading on very dangerous ground if it attempted to dictate rather than follow state procurement policy.

With respect to the details of Option B, TURN is concerned that the proposed compensation level of \$55 per kW-year is weakly supported and reflects a substantial increase of 34% over the current level of \$41 per kW-

year. There has been no demonstration that such a large increase is necessary in order to obtain adequate backstop capacity. Thus, TURN recommends either a more modest increase or a phase-in of the higher compensation level over a multi-year period, e.g., 10% annual increases until the \$55 level is reached.

6. The need for the ISO to procure non-generic capacity under CPM and Exceptional Dispatch to meet operational needs.

TURN believes that this issue is premature and requires further analysis.

7. The operational criteria the ISO is proposing to distinguish certain operational characteristics as non-generic capacity (fast ramping and load following). Are these two characteristics enough, or do you propose additional criteria for operating characteristics that would qualify for non-generic capacity?
8. How should non-generic capacity be compensated? What are your views on the proposal to compensate non-generic capacity by applying an adder to the price paid for generic capacity?

Exceptional Dispatch

1. Should energy bids for resources dispatched under Exceptional Dispatch continue to be mitigated under certain circumstances? Should such mitigation continue the current practices of bid mitigation as outlined in the straw proposal?

TURN supports the straw proposal with respect to Exceptional Dispatch.

2. Should the ISO change the categories of bids subject to mitigation under Exceptional Dispatch (Targeted, Limited and FERC Approved) and extend the bid mitigation for the existing categories?
3. What is the appropriate compensation for non-RA, non-RMR and non-CPM capacity that is Exceptionally Dispatched? Should the current compensation methodology be extended, updated to agree with what is put in place for CPM for generic capacity procurement?

Other

1. Do you have any additional comments that you would like to provide? **No.**