

Western Power Trading Forum (WPTF) Comments in Response to CAISO Proposal for Waiver request for Sutter

Ellen Wolfe, Resero Consulting for WPTF, 916 791-4533, ewolfe@resero.com

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WPTF appreciates the opportunity to provide comments on the tariff waiver request outlined in its California ISO Report on Basis and Need for a CPM Designation for Sutter Energy Center (Report), issued on December 6, 2011, and discussed on the subsequent stakeholder call held on December 9, 2011. WPTF believes the Report touches upon a number of critical issues associated with California's resource adequacy (RA) market design that need to be addressed by the CAISO and relevant California regulatory agencies. Our comments focus on the overall policy issues and the stakeholder process going forward.

- The Sutter Energy Center (SEC) situation should be seen as direct evidence of our collective failure to have addressed capacity compensation in the past, including the recent redesign of the ICPM/CPM mechanism. We urge the CAISO and the CPUC to jointly resolve the fundamentals to which this issue points.
- The Report illuminates the need to have a forward, transparent, market-based procurement process for the resources that will be needed to maintain reliability. The CAISO's proposed waiver request further illustrates that the current RA program is not structured to ensure that the resources the CAISO needs will be available when they need them in future years.
- WPTF supports the CAISO's ability to procure the products it needs to maintain reliability, but generally opposes out-of-market mechanisms. This means that proper market-based mechanisms must be created such that waiver requests like that proposed for SEC will not be necessary in the future.
- WPTF supports the development of a forward capacity market that allows market participants to procure established resource adequacy requirements and planning reserve margins that meet the reliability needs of the CAISO and allows market participants to manage the risks associated with that procurement.
- The CAISO's actions and its stakeholder process must be focused on creating market mechanisms rather than simply addressing the subtleties of its backstop procurement. We find it very unlikely that such outcomes will occur in six months and fear that such an ambition does not reflect a CAISO commitment to solve the underlying *market* gaps but rather only the backstop design.

We ask the CAISO to clarify its intention to reconsider market mechanisms to address the gap in forward generator-asset compensation and to rethink the timeline to ensure that the process is sufficiently robust to address or otherwise causes joint CPUC/CAISO action. Anything short of this goal will not serve the needs of market participants.

Thank you for the consideration of our comments.