California ISO
Shaping a Renewed Future

California Independent System Operator

April 15, 2013

Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Email: edtariffunit@cpuc.ca.gov
Fax: (415) 703-2200

Re: Comments of the California Independent System Operator Corporation in Support of the California Public Utilities Commission's Draft Resolution E-4584, issued in response to Southern California Edison's Advice Letter 2853-E

Dear Sir or Madam:

The California Independent System Operator Corporation ("ISO") respectfully submits these comments in full support of the March 25, 2013 draft Resolution E-4584 issued by the Energy Division of the California Public Utilities Commission ("Commission"). If accepted by the Commission, the draft Resolution would approve without modification the bilaterally-negotiated Capacity Sale and Tolling Agreement ("BECA Contract") between Southern California Edison Company ("SCE") and BE CA LLC, a subsidiary of J.P. Morgan Ventures Energy Corporation.

As SCE has noted (in its Advice Letter No. 2853-E as well as in its reply to Dynegy's protest, and its responses to the Alliance for Retail Energy Markets ("AReM"), the Independent Energy Producers Association ("IEP"), and to the ISO's letter in support of the Advice Letter), final Commission approval of the BECA Contract will eliminate the contractual barriers to the operation of synchronous condensers at Huntington Beach Generating Station Units 3 and 4.

Commission approval of the BECA Contract will enable the synchronous condensers at Huntington Beach Generating Station to be operational by this summer. In addition, as previously described in the ISO's response to the Advice Letter, the twelve generating units subject to the BECA Contract provide flexible capacity and may be critical to system reliability in the absence of the San Onofre generating units, because of their strategic location in the transmission constrained LA Basin. Nothing in Dynegy's protest or in the responses filed by AReM or IEP establishes otherwise. Therefore, as the draft Resolution correctly concludes, "the BECA Contract provides system and local reliability benefits." Dynegy's portfolio of resources does not provide comparable local reliability benefits.

The ISO also agrees with SCE and the draft Resolution's conclusion that IEP's concerns over SCE's control of the BECA contract capacity are unwarranted. As SCE correctly notes in its reply, if SCE were to use any of the twelve generating units subject to the BECA Contract to meet its local Resource Adequacy ("RA") obligations, then pursuant to Section 40.6 of the ISO Tariff, the resource would be subject to a must offer obligation, thus mitigating SCE's ability to withhold the resource through its dispatch control. Therefore, the ISO supports the Draft Resolution's finding that there is "no reason to believe at this point that SCE will not facilitate the sale of excess local RA at a reasonable price." In addition, if the Commission is inclined to consider AReM's concerns about cost allocation and how SCE is to make excess RA capacity available for resale, issues the ISO takes no position on, such issues should be considered in a separate, unrelated proceeding.

For the foregoing reasons, the ISO respectfully requests that the Commission issue its final Resolution in its current form.

Sincerely,

California Independent System Operator Corporation

Steve Berberich
President & Chief Executive Officer