

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the stakeholder initiative “Capacity Procurement Mechanism Risk-of-Retirement (“CPM ROR”) Process Enhancements.”

Submit comments to InitiativeComments@CAISO.com

Comments are due June 1, 2017 by 5:00pm

The Issue Paper posted on May 10, 2017 and the presentations discussed during the May 18 and 25, 2017 working group meetings can be found on the [CPM ROR](#) webpage.

Please use this template to provide your written comments on the issue paper topics listed below and any additional comments that you wish to provide.

1. Problem Statement and Scope of Initiative

Please provide any comments on the problem statement and scope of this initiative.

Comments:

Energy Division (ED) staff appreciates the CAISO’s efforts to reconsider and potentially revise its risk-of-retirement Capacity Procurement Mechanism (CPM), but staff is concerned that the identified problem and scope of the initiative are potentially confusing and misleading. In its issue paper, CAISO identified problems with its current CPM risk-of retirement tariff and cited the following example:

“The limitations of the current CPM risk-of-retirement process were recently highlighted in March 2017 when there were two peaking plants owned by the Calpine Corporation

that were at risk of unplanned, early retirement and were needed for reliability. The CAISO Board of Governors authorized the CAISO to procure the two plants using the CAISO’s Reliability Must-Run (“RMR”) tariff provisions, rather than the CAISO’s CPM backstop risk-of-retirement tariff provisions, because of specific process conditions in the CPM risk-of-retirement tariff.¹ (Emphasis added.)

However, the current risk-of-retirement CPM tariff applies only to generators that will not be needed in coming compliance year, but would be needed in the following compliance year.² During the working group, it became clear that the Calpine peakers would not have been eligible for the risk-of-retirement CPM, even if the potential enhancements were made to the CPM process, because the peakers are needed for the coming compliance year.

Additionally, it also became clear through the stakeholder group discussion that most, if not all, generators that seek a risk-of-retirement designation would not be eligible because few resources would be needed in year 2 but not in year 1. Therefore, the magnitude of the problem this initiative is trying to solve is not only small, but possibly non-existent.

After reviewing the straw proposal and participating in both working groups, ED staff is concerned that moving the CAISO risk-of-retirement determination date to a date prior to the year-ahead filing deadline is not workable and could result in front running the current RA procurement process.

2. Identified Issues and Potential Enhancements

Please provide any comments on the issues that have been identified thus far in the initiative, including if there are other issues that you would like to identify.

Comments: Staff comments on 5 of the 6 issues and potential enhancements identified during the 2nd working group meeting on May 25th.

1.) Who/When Can Apply

The CAISO tariff allows only resources that are NOT under an RA contract to apply for a risk-of-retirement CPM. This limits the number of resources that are eligible. The CAISO has asked stakeholders whether this eligibility requirement should be removed so that resources currently under RA contract could apply if they believed they would not be under contract for

¹ Capacity Procurement Mechanism Risk-of-Retirement (“CPM ROR”) Process Enhancements Issue Paper p. 4.

² CAISO tariff, 43A.2.6, where, among other provisions, “(2) the CAISO did not identify any deficiency, individual or collective, in an LSE’s annual Resource Adequacy Plan for the current RA Compliance Year that resulted in a CPM designation for the resource in the current RA Compliance Year; (3) CAISO technical assessments project that the resource will be needed for reliability purposes, either for its locational or operational characteristics, by the end of the calendar year following the current RA Compliance Year.”

the subsequent year.

Broadening the application eligibility by allowing resources currently under RA contract to apply and/or moving up the application date by which they can apply will not provide any more certainty to generators regarding a retirement decision. ED staff believes that the more relevant question is not who and when they apply, but when CAISO conducts its analysis and provides this determination to generators, as discussed in the following section.

2.) Timing

CAISO asserts that the current process may not provide sufficient time for generators to make retirement decision. One possible solution CAISO offers is to provide specific timelines for steps in the process (how long to complete a study). Another possible solution suggested by CAISO is to complete the study earlier in the year, upon request, before final RA showing are in and share these determinations with stakeholders before October 31st.

If the CAISO makes a need determination prior to the year-ahead procurement process which concludes the end of October, then the risk-of-retirement CPM process, which is supposed to be a backstop mechanism, could front run the year-ahead procurement process. ED staff does not support this.

From an implementation perspective, CPM procured prior to the year-ahead process would count towards RA requirements which would have the result of less front stop procurement being needed. This is the same way the RMR process currently works. RMR identified resources (currently only the Oakland peakers), not picked up in the year-ahead procurement process, are counted towards local and system RAR in the year ahead filings.

3.) Deadline

CAISO indicates that there are currently no deadlines for a resource to seek a risk-of-retirement CPM designation, which could result in serial designation requests where the first resource that sought a designation may not be needed.

ED staff supports a deadline or application window so as to minimize the CAISO need determination analysis and to allow CAISO to assess all resources simultaneously.

4.) Selecting from Competing Resources

CAISO indicates that currently there is no selection criteria in the tariff to choose among resources when multiple resources seek a risk-of-retirement CPM designation and not all resources are needed.

ED staff agrees that a selection process would be helpful and is supportive of CAISO's suggestion to use the existing tariff language from section 43A.2.2 and 43A.2.3, which provides general cost minimizing criteria and tie breaker criteria.

5.) Forward Need Determination

ED staff does not support a forward need determination. A forward need determination can not be made earlier in the year without front running the current annual RA procurement process.