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 August 28, 2017 by 5:00pm

The Revised Straw Proposal posted on August 8, 2017 and the presentations discussed during the August 15, 2017 stakeholder conference call can be found on the CPM ROR webpage.

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

1. Who Can Apply

Comments:

One minor comment: On page 10 of the Revised Straw Proposal ("RSP"), the CAISO indicates that "The CAISO will clarify the tariff to confirm that any resource, including a resource that is currently RA, can apply for a CPM ROR designation." The CAISO also states, however, that a non-RA resource may not apply in the proposed April window if the resource's costs are not greater than the CPM soft offer cap price of $75.68/kW-year. It may be true that any resource can apply in certain windows, but not in all windows. The CAISO should clarify that the provision that "any resource may apply" has some conditions with regards to timing.

2. Timing of Requests for Designation - Windows

Comments:

No comment.

3. Process for Study and Procurement

Comments:

No comment.

4. Application Requirements, Timelines and Reliability Studies

Comments:

The CAISO proposes that a resource may not submit a request into the April window (which the proposed tariff language says could be as late as June 30) unless the resource's costs exceed the CPM soft-offer cap. The CAISO's justification for this is that costs this high project the likelihood that the resource will not be selected as an RA resource. This requirement effectively means that a resource whose costs do not exceed the soft offer cap is required to submit their request in the November window. Forcing generator owners to wait until November to seek a CPM RoR designation effectively negates one of the primary reasons why resource owners sought a change in the RoR process, namely, to provide for a longer "runway" with regards to seeking, and the CAISO evaluating and granting, an RoR designation prior to the end of a calendar year, to allow for better planning and coordination. As a result, this new proposed requirement calls into question the value of this initiative.

The CAISO also proposes that a resource owner must submit a binding offer, which must reflect its costs and cannot be changed, when the resource owner submits the resource's costs to FERC. (*See, e.g.,* page 11 of the RSP). Given that a resource must develop a detailed cost-of-service analysis to project its costs (on RSP pages 9 and 16, the CAISO indicates that the resource's costs must be presented through Schedule F of the RMR contract), the CAISO's proposed process means that a resource owner must prepare an expensive and detailed cost-of-service study without knowing whether the resource will be selected and provided with a CPM risk-of-retirement (RoR) designation. This is unduly burdensome and unreasonable.

To address exaggerated fears of the CPM RoR process "front-running" the Resource Adequacy process, the CAISO has decided that the most a resource that receives a CPM RoR designation can be paid is its cost of service. If a particular resource is uniquely needed for reliability, it should not be required to conduct a complicated cost-of-service study before submitting its application. If multiple resources can meet the need, and the CAISO wishes to use economics as one of the factors to choose between resources, it can request the resource owners to develop and submit the cost-of-service information after it is clear that the resource is potentially needed for reliability.   It is not reasonable to require a resource owner to prepare the detailed Schedule F information unless there is some basis to conclude that their resource will be required.

On Page 14, the CAISO observes that, for Type 3 designations, it will assume that all resources "not expected to retire" will be available in the year following the next RA year. The CAISO should clarify how it will assess which resources are expected to retire and with are not expected to retire. As the CAISO is well aware, under the current market conditions, all non-contracted resources are at risk of retirement, regardless of their mechanical age. Overly optimistic assumptions regarding which resources will be in operation will yield unreliable results that will lead to the unexpected retirements of resources.

5. Selection Criteria when there are Competing Resources

Comments:

NRG provided comments with regards to the role of costs in deciding between multiple units in the section above.   NRG has no other comments on this section.

6. Term and Monthly Payment Amount

Comments:

NRG agrees with the CAISO's proposal in this section.

7. Cost Justification

Comments:

The CAISO's decision to not allow a resource to be compensated at the CPM soft-offer cap price and instead require a resource owner to submit a cost-based offer with its RoR evaluation request is problematic, as noted in section 4.

8. Decision to Accept

Comments:

NRG agrees with the CAISO's proposal in this section.

9. Cost Allocation

Comments:

No comment.

10. RA Credits

Comments:

No comment.

11. Other Comments

Please provide any additional comments not associated with the topics listed above.

Comments:

Comments on the proposed tariff language:

43A.2.6.2.1 (f) (1) –

(1) The resource demonstrated in its request for a CPM risk of retirement designation that it is unlikely to be procured as resource adequacy capacity for the next RA Compliance Year because **its $/KW-year price based on the resource's** annual fixed revenue requirement calculated in accordance with Schedule F to the pro forma RMR Agreement in Appendix G of the CAISO Tariff exceeds the price specified in Section 43A.4.1.1. If a resource owner fails to make this showing in its request for a Type 2 CPM Risk of Retirement designation, the CAISO will not study the need for the resource in the window.

The unit's AFRR is the unit's total fixed cost in dollars, while the price specified in 43A.4.1.1 is given in $/KW-year, and the two numbers cannot be compared directly. Further, the indentation on subsections (1), (2) and (3) should be uniform.