

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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The California Independent System Operator Corporation's (CAISO) Issue Paper on the Capacity Procurement Mechanism (CPM) Risk of Retirement Process Enhancements Initiative proposes modifications to the current process to address issues which inhibit use of the CPM designation. The Office of Ratepayer Advocates' (ORA) recommends that CAISO perform a detailed analysis of the potential benefits and potential negative consequences prior to proceeding with this initiative.

1. Problem Statement and Scope of Initiative

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

Comments:

The CAISO tariff, in Section 43A.2.6, permits the CAISO to award payments through the CPM backstop procurement process to a resource that declares an intention to retire, if the CAISO determines that the resource is needed for grid reliability. Proposed enhancements to the CPM process would address issues faced by resource owners in filing for the CPM Risk-of-Retirement (ROR) designation. The major concern is the current requirement that resources cannot file for CPM ROR designation until after the October 31 resource adequacy (RA) annual filing deadline. After a CPM ROR filing, the CAISO must review the documentation supporting the requested ROR designation and perform a study to determine if the resource would be needed to meet reliability criteria. According to the resource owners, the CAISO's final determination of eligibility for CPM payments occurs too late in the calendar year to provide reasonable time for resources to complete the steps needed to retire, including providing notice to employees, capital outlay and resource planning.

To reduce the risk of retiring resources that are needed for reliability in a subsequent year, the CAISO proposes to modify the current process to allow for greater flexibility in filing

for a CPM ROR designation.¹ However, stakeholders expressed concerns during the CAISO's May 18 and May 25 CPM ROR workshops that the proposed enhancements may not provide adequate solutions to significantly mitigate the resource retirement risk. Several stakeholders expressed a belief that the current Reliability-Must-Run (RMR) process may remain a better, less complicated solution.

2. Identified Issues

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:

To enhance the current CPM ROR process, the Issue Paper identifies multiple requirements for potential modification, including who can apply, the timing of filings, deadlines for filing, selecting from competing resources, acceptance of designation, and forward need determination.² The stakeholder workshops, however, largely focused on two competing concerns: resource providers want to receive CPM designations earlier in the calendar year, while the load serving entities (LSEs), the California Public Utilities Commission's (CPUC) Energy Division, ORA and ratepayer groups assert that this would result in negative impacts on bilateral contracting. Under the current process, resource owners must wait for CPM ROR designations until a month or less prior to a new calendar year. The process of retiring a resource and its eventual closure requires extensive planning, and resource owners thus seek CAISO decisions earlier in the year. On the other hand, the LSEs, CPUC, and ratepayer groups note that the public process and disclosure of CPM payments during bilateral contracting period would harm the process. Owners of resources who have been granted CPM price guarantees, which often double bilateral contracting prices, would not be motivated to negotiate lower prices. Stakeholders from both sides agreed that this situation creates an impasse with no clear direction forward.

Discussions at the workshops considered moving the RA annual filing dates to earlier in the calendar year. While this change could address the major concern over CPM ROR filings, moving the RA filing deadlines would require multiple changes in process at the CAISO, CPUC, and the California Energy Commission. The RA annual schedule depends on the CEC demand forecasts, CAISO technical studies for local and flexible capacity, early load projections by LSEs, CEC verification of load forecasts and adjustments, determination of resource net qualifying

¹ Capacity Procurement Mechanism Risk-of-Retirement Process Enhancements Issue Paper (Issue Paper), May 10, 2017, p. 4.

² Issue Paper, pp. 7-9.

capacity by the CPUC, annual RA decisions to modify and refine the RA process, CPUC assignment of LSE requirements and review by both the CAISO and CPUC of LSE filings. Such major changes to the RA program fall outside of the scope of the CPM ROR initiative process.

3. Other Comments

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

The CAISO views the CPM ROR process as a bridge that provides payments to a resource during a year when the resource is without an RA contract, in order to prevent retirement of a resource that will be needed the following year. However, the CAISO did not present convincing evidence that resources needed just one year forward would retire for economic reasons. Furthermore, no studies provide clear evidence regarding the extent of the problem nor estimate the quantity of “resources that are needed for reliability but are at risk of early, unplanned retirement.”³

Workshop discussions included calls for a more holistic view of the retirement risk issue and broad changes that may address the issue in more meaningful ways than enhancements to the CPM ROR process. Should a risk of retirement present a problem in the next couple years, the proposed CPM ROR process changes may not provide significant improvement. The risk of early retirement was discussed earlier this year in a joint workshop with the CPUC, CAISO and CEC.⁴ These three organizations should begin to coordinate to analyze and quantify the risks and craft the best solutions.

ORA appreciates the opportunity to comment on the CAISO’s Issue Paper.

³ Issue Paper, p. 3.

⁴ Joint Agency Workshop on Risk of Early Economic Retirement, California Energy Commission, 17-IEPR-14, Existing Power Plant Reliability Issues.