



Review of Reliability Must-Run and Capacity Procurement Mechanism

May 30, 2018



Introduction

- PG&E supports the efforts to reform the backstop procurement processes within the CAISO's existing RMR and CPM tariff authority.
- However, there are critical elements missing from the RMR/CPM Initiative scope that could prevent the adoption of a holistic approach and are inconsistent with FERC's direction.
- These missing critical elements are:
 - Phase 1:
 - Revise outdated terms in Form RMR Agreement
 - Ensure revised Form RMR Agreement included in subsequent RMR designation years
 - Phase 2:
 - Modifications to the transmission planning processes to identify and assess alternatives to backstop procurement in a timely fashion



Phase 1: Outdated Terms in Form RMR Agreement

- FERC recognized the importance of addressing outdated Form RMR Agreement terms through the stakeholder process (*Metcalf Energy Center*, 161 FERC ¶ 61,310 at P 30 (2017))
- Most of the terms in the Form RMR Agreement are close to 20 years old and many market developments since then are not included in the agreement. Critical changes include:
 - Adding a Must Offer Obligation for Condition 2
 - Accounting for all RA attributes
 - Cost based bid insertion for RMR dispatches
 - Market Transactions eligible for Bid Cost Recovery
 - GHG Compliance costs and Gas Index Provisions
 - Counting start-ups for Combined Cycle facilities
 - Forecast of RMR dispatch needs to understand expected run times
 - Depreciation Schedules
 - Treatment of Market Revenues
- These changes need to be made before 2019 RMR Agreements are executed



Phase 1: Apply New Terms Going Forward

- RMR agreement is assumed to be an evergreen agreement
- RMR agreements that are extended should reflect revised, updated Form RMR Agreement provisions
- New tariff provisions should also be incorporated into all agreements going forward
- These changes need to be made before existing RMR Agreements that will continue into 2019 are extended



Phase 2: TPP Modifications

- Identify local area and sub-area needs that would be created by the early economic retirement of at-risk generation by providing sufficient time to evaluate
- Consider low cost alternatives to backstop procurement including wires and non-wires solutions
 - Oakland Clean Energy Initiative RMR Solutions identified in the 2017-2018 transmission planning process
- Re-study all in-place RMRs to evaluate short-term and long-term alternatives to ensure that cost effective solutions are being developed and deployed