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 "RMR and CPM Enhancements."

Submit comments to initiativecomments@caiso.com

Comments are due January 10, 2019 by 5:00pm

The December 12, 2018 second revised straw proposal and the presentation discussed during the December 20, 2018 stakeholder conference call can be found on the following webpage: http://www.caiso.com/informed/Pages/StakeholderProcesses/Review_ReliabilityMust-Run_CapacityProcurementMechanism.aspx.

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

1. Comments on December 12, 2018 second revised straw proposal.

RMR and CPM

a. Provide notice to stakeholders of resource retirements

Comments: SDG&E supports the CAISO proposal now that the threshold for notice has been lowered to 45 MW or higher for both retirement or mothballing of a unit.

b. Clarify use of RMR versus CPM procurement

Comments: SDG&E opposes the CAISO proposed use of RMR versus CPM. The timing of the CAISO process for generators puts notice far ahead of the normal annual RA program timing and front runs the CPUC process. It would be possible for generators to give notice of mothballing in February and find out if it is an essential reliability resource (ERR) before annual RA contract negotiations begin. This effectively sets a full cost of service floor for LSE RA contract negotiations if the unit is an ERR. If the unit is not an ERR, the unit can exit mothballing with little or no harm because the attestation is not strong. This would drive up the cost of reliability for ratepayers. Also for both RMR and CPM units all available attributes (like ancillary services and flexible RA) must be included at no additional cost and energy margin should be maximized and credited against cost.

c. Explore whether Risk of Retirement CPM and RMR procurement can be merged into one mechanism

Comments: SDG&E supports moving Risk of Retirement out of CPM and into RMR. CPM is voluntary so the mandatory RMR process is appropriate for an ERR.

RMR

d. Develop an interim pro forma RMR agreement

Comments: SDG&E supports the CAISO proposal

e. Make RMR resources subject to a must offer obligation

Comments: SDG&E supports the CAISO proposal

f. Consider making RMR resources subject to the Resource Adequacy Availability Incentive Mechanism

Comments: SDG&E opposes the CAISO proposed use of the Resource Adequacy Availability Incentive Mechanism (RAAIM) for RMR. The CAISO is trying to equate RMR to RA shown by LSEs for simplification, but they are VERY different. RAAIM has lots of problems even with CPM that it was designed for. An RMR penalty should be based on actual performance over all hours and not just the limited RAAIM assessment hours and without a further dead-band to avoid penalties like RAAIM does. The penalty amount should be strictly tied to the individual level of RMR payment not a generic level like

RAAIM. Applying RAAIM tor RMR resources is inappropriate and would be far less accurate than even the current RMR penalty structure. RAAIM does not work well for CPM (the CAISO is considering changing RAAIM for CPM in the RA enhancements initiative) and would work much worse for RMR. All RMR units should be ERRs and need the strongest possible incentive to be available because any lapses decrease reliability. The dead band and limited availability hours used in RAAIM are counter to reliability.

g. Consider whether RMR Condition 1 and 2 options are needed

Comments: SDG&E supports the CAISO proposal to eliminate RMR Condition 1

h. Update rate of return for RMR compensation

Comments: SDG&E supports the CAISO proposal to have the Generator Owner propose a rate of return within the RMR agreement which will be subject to the FERC approval process.

i. Align pro forma RMR agreement with RMR tariff authority that provides ability to designate for system and flexible needs

Comments: SDG&E cannot support the CAISO proposed use of RMR for system and flexible needs. Without further work explaining how a non-local unit can be an ERR for either a system or flexible need is not clear at this time. Only changes in RMR that are clearly needed and thoroughly explained should be pursued at this time. Finally, costs for system and flexible needs should not be allocated to customers as a transmission charge but treated as a procurement cost.

j. Allocate flexible Resource Adequacy credits from RMR designations

Comments: SDG&E supports the CAISO proposal. None

k. Streamline and automate RMR settlement process

Comments: None

l. Lower banking costs associated with RMR invoicing

Comments: None

CPM

m. Change CPM pricing formula for resources that file at FERC for a CPM price above the soft-offer cap price

Comments: SDG&E opposes the CAISO proposed CPM payment method. It could result in a potential windfall for generators with average or below average costs. Generators with above average costs needed for reliability should receive full COS compensation. CAISO's proposed simplified approach is bad and counterproductive for cost savings and reliability. CAISO's proposed solution does not resolve a major gap in annual CPM designations that the proposed solution creates. In response to opposition for a generator getting 2 different possible payments for providing the same thing (annual capacity through RMR vs CPM) the CAISO eliminated the overlap. RMR will only be for risk of retirement and CPM would be used for an annual collective deficiency. By eliminating the overlap, CAISO's proposal fails to recognize that CPM is voluntary: a collective annual deficiency could result when the CPM is not accepted. Relying on exceptional dispatch (perhaps often) could impact reliability (the unit may be on outage which is more likely without a MOO). The appropriate payment for an ERR is not occasional exceptional dispatch revenue and GFFC +20% is too high when the unit's full cost of service is lower. The most appropriate payment for an ERR is its full cost of service (offset by all market revenues) whether above or below GFFC +20%. The CAISO proposal will let units self-select paths to either RMR or CPM that provides them the highest compensation with no increase in reliability.

n. Evaluate if load serving entities are using CPM for their primary capacity procurement

Comments:

2. Other Comments

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

Comments: SDG&E is not convinced that any units have market power for system RA or flexible RA needs and would become an ERR and needing an RMR contract.

SDG&E opposes a framework that lowers overall reliability for a known annual reliability problem (such as a collective deficiency) just because an ERR does not participate in the capacity solicitation process (CSP) and rejects a CPM award (see comments in "m").

SDG&E supports a payment framework that recognizes ERRs have market power and that has the same result regardless of the path taken (RMR or CPM) probably based on full cost of service less net market revenues. Anything else will probably have major problems gaining approval at FERC.