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.

SDG&E appreciates the opportunity to comment on the CAISO's CPM ROR revised straw proposal. SDG&E reiterates its position against the usage of CPM as a front stop of the bilateral capacity market framework. SDG&E especially sees the April window problematic because it is held in advance of the bilateral procurement processes of LSEs.

1. Who Can Apply

Comments:

SDG&E agrees that all resources should have the option to apply for Risk of Retirement protection. While the section in the proposal state that any resource may apply, later sections prohibit resources under RA contract from applying. SDG&E recommends the CAISO to clarify this limitation within the "who can apply" section of the proposal. Specifically, resources under RA contract for January 2019 cannot apply for CPM ROR in the November 2018 window.

Since this is the case, SDG&E is unsure if there is a gap in which a resource cannot request any CPM ROR at all. For example, a resource is under contract from January 2017 to March 2018. This resource would not be eligible to apply for Type 1 CPM ROR in April 2017 because it is RA for all of 2017. The resource would also not be eligible to apply for Type 3 CPM ROR in November 2017 because it is RA for Q1 2018. Per the proposal, "the resource must not be RA for 2018 and must be needed before the end of the calendar year 2019".[1] SDG&E is uncertain if the resource could apply for Type 2 CPM ROR in April 2017 and would appreciate the CAISO clarify this question. SDG&E would also recommend removing language regarding designation qualifications from this section as it creates confusion as it mixes application as well as designation.

2. Timing of Requests for Designation - Windows

Comments:

SDG&E believes the 3 types and 2 windows of CPM ROR create more complexity. SDG&E recommends the CAISO to join Type 1 and 2 options into a single application where the CAISO would study the need for a resource for both 2018 and 2019. It would be an awkward situation if the resource is needed in 2019 but the resource only submitted for a Type 1 CPM ROR and the CAISO did not have a need for the resource in 2018 and therefore could not CPM the resource.

3. Process for Study and Procurement

Comments:

SDG&E requests the CAISO to expand on the reliability study that will be performed. The current Tariff only mentions a CAISO technical assessment in which the resource will be needed for reliability purposes for either locational or operational characteristics. Are the studies different for 2018 versus 2019 as far as methodology? Are the studies different than the existing annual Local capacity technical study or Flexible capacity assessment or the Transmission planning study? If it is different, would those studies have provided the signals to LSEs to indicate such a resource was needed?

SDG&E is concerned with the release of the designation report for the April window. Releasing such information for Type 1 designation sets the floor for the resource. Instead, SDG&E requests the CAISO to consider requiring the resource to issue a solicitation for bids at the same time the report is issued. The resource would be required to accept bids up to the max

[1] CAISO Revised Straw Proposal, pg 13

NQC/EFC of its capacity in descending order of price. The solicitation must be monitored by an independent evaluator to ensure fairness. If there are megawatts uncontracted, then the CAISO's CPM process can supplement the remaining volume at the offer price.

4. Application Requirements, Timelines and Reliability Studies

Comments:

SDG&E does not believe the resource's costs need to be above the current CPM soft-offer cap price in order to receive a CPM ROR designation. The CAISO should not filter out less expensive but similarly qualified resources from the CPM ROR process. SDG&E cannot find reasonable benefits to keep more expensive resources online over less expensive ones if both are needed for reliability. SDG&E recommends the CAISO clarify its assumption that all resources must have costs greater than the soft offer cap to qualify for CPM ROR. SDG&E supports requiring resources to justify costs with FERC even if it is lower than the soft offer cap.

5. Selection Criteria when there are Competing Resources

Comments:

SDG&E supports selecting resources based on least cost when there are multiple competing resources.

6. Term and Monthly Payment Amount

Comments:

SDG&E believes setting a minimum term of 12 months may not allow resources that have contracts ending between January 2018 to April 2018 to apply or be designated as CPM ROR under the 2017 windows. In such a case, the resource must wait until April of 2018 prior to applying for risk of retirement. If so, the resource might submit a Type 1 for "immediate" relief or the conventional retirement. If the resource is not needed for 2019 in the case of Type 1 or 2018 for conventional retirement, but is needed for 2020 for Type 2 or 3, then the CAISO would not be able to designate that resource due to the type of application it submits. This would not be an optimal outcome.

7. Cost Justification

Comments:

SDG&E supports requiring resources to justify costs with FERC even if it is lower than the soft offer cap.

8. Decision to Accept

Comments:

SDG&E disagrees that CPM is voluntary given that the CAISO's current CPM CSP designations are not voluntary when a resource submits offers into the CAISO's CPM CSP. A resource's owner should already know their decision to accept the CPM ROR designation prior to submitting for CPM ROR protection.

9. Cost Allocation

Comments:

SDG&E believes the CAISO should review the cost allocation methodology. For the past several years, the CAISO has studied the San Diego-IV and La Basin Local areas together. In the LCR studies, the CAISO has needed all of San Diego-IV's generation to be online in order to lower that of La Basin's local requirements. This was the optimal outcome. If the CAISO designates a resource in the San Diego-IV area as CPM ROR for purposes of supporting La Basin, then the costs should also be shared with LSEs that serve Load in that TAC area.

10. RA Credits

Comments:

SDG&E agrees that language exists within the Tariff to allocate capacity credit to LSEs for various CPM designations. However no actual mechanism in the CAISO BPM or the CIRA tool exists to facilitate this process. SDG&E believes this is due to several factors. First, CPM is a backstop mechanism. It is only triggered after LSEs and Suppliers do not submit RA and supply plans to the CAISO that include that resource. Tariff section 43A.3.7 says: "The CAISO shall rescind the CPM designation for any month during which the resource is under contract with an LSE to provide RA Capacity". This phrase intends to allow the resource to continue to seek RA contracts during the ROR designation term and if contracted, it cannot be CPM capacity. Therefore, the resource's capacity cannot be "pre-allocated" to LSEs before the RA showing as it is possible for the resource to be contracted as RA capacity. If the CAISO were to pre-allocate the capacity to LSEs then there would be double counting of the resource's capacity for the showing. Second, the CAISO has consistently said it has never designated CPM for any deficiencies and therefore never had the need to credit capacity to LSEs. This is true with the exception of significant event CPMs in 2012 when the SONGs units were offline. In that year, the CAISO issued several significant event CPM designations for the Huntington Beach Units. The CAISO on August 9, 2012 extended the CPM designations for an additional 84 days on top of the initial 30-day designation on May 11 and 60-day extension on June 9, 2012. During this time, LSEs did not receive credit for the CPM from the CAISO per Tariff section 43.9(e) of the then relevant Tariff. SDG&E believe the CPUC acted on its own to provide the credit based on the CAISO market notices rather than information submitted per Tariff section 43.9(f). Finally, SDG&E would like to point out that section 43A.9(d) only mentions credit towards the LSE's Demand and Reserve Margin requirements and does not mention Local or Flexible RA requirements. Tariff section 43A.9(a) uses the term LSE's Local Capacity Area Resource obligation to mean Local RA requirements and 43A.9(g) uses the term LSE's Flexible Capacity requirements. If the CAISO designate CPM ROR for purposes of Local and Flexible operational needs, then LSEs should also be credited for those capacity attributes as well.

11. Other Comments

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

Comments:

SDG&E requests the CAISO to clarify the must offer obligations for a designated CPM ROR resource. Does the CAISO require flexible RA moo if the resource is only needed for Local operational needs? Is it possible to designate a Local resource for System only needs as the CAISO is expecting to allow unbundling of Local and System RA attributes as part of the RSI Phase 2 Tariff filing? Would the resource be required to submit separate Local, System and Flexible CPM offers for ROR? If the resource receives a CPM ROR designation for Local needs, would the resource be allowed to provide Flexible RA to an LSE? In this case, would the resource be both RA capacity and CPM capacity at the same time? Finally, would the usage of CPM ROR credit by an LSE mean the LSE is relying on CPM as a means of capacity procurement to meet RA obligations?

SDG&E also requests the CAISO to provide detail on what occurs during the two windows if a resource requested CPM ROR. Would the CAISO treat the resource as if it were to retire immediately and thus run an assessment for the remainder of the current year? Or would the CAISO consider the resource as a CPM ROR resource and analyze the impact during the next open window?