

## 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](mailto: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:

The Six Cities do not oppose the proposal to allow any resource to apply for a Risk-of-Retirement CPM designation, regardless of whether the resource is subject to a Resource Adequacy contract at the time of its application. The Six Cities specifically support the CAISO’s confirmation that a resource may not receive payments for a Risk-of-Retirement CPM designation at the same time that it is either (i) a party to and receiving payments under a

Resource Adequacy contract or a Reliability-Must-Run agreement; or (ii) designated as a CPM resource for another category of CPM procurement. (See Revised Straw Proposal at 8.)

## 2. Timing of Requests for Designation - Windows

### Comments:

The Six Cities do not oppose the timeline for designation requests as outlined in the Revised Straw Proposal.

## 3. Process for Study and Procurement

### Comments:

The Six Cities do not oppose the proposed process for study and procurement of resources.

## 4. Application Requirements, Timelines and Reliability Studies

### Comments:

In general, the proposed application requirements appear to represent a reasonable step forward in terms of developing the process and criteria for Risk-of-Retirement CPM designations, but the Six Cities seek further explanation regarding several aspects of this section of the Revised Straw Proposal.

First, the Six Cities ask the CAISO to clarify the binding offer price requirement in the application process for both the April and November windows. (See Revised Straw Proposal at 11, 13.) According to the Revised Straw Proposal, resources are required to include with their application materials a binding offer price and will be required to subsequently “file at FERC an offer price that is no higher than the price submitted” in the application. Is the intent of the CAISO that the binding offer price be a cost-based price that either has been or will be approved by FERC, or are applicants permitted to propose a binding offer price that is based on something other than a resource’s costs? The Six Cities request that the CAISO explain how the binding offer price will be used, given that the CAISO proposes to compensate resources that are awarded a Risk-of-Retirement CPM designation according to the cost-based methodology for the Annual Fixed Revenue Requirement for a Reliability-Must-Run Unit as set forth in Schedule F to the *pro forma* RMR Agreement. Additionally, the Six Cities have several specific questions regarding the offer price and compensation:

- The Six Cities request confirmation that the compensation rate for resources that are designated for Risk-of-Retirement CPM will be no higher than the FERC-approved rate.
- Does the CAISO intend that the FERC-approved, cost-based price (calculated according to the RMR methodology) serve as a cap on a resource’s compensation if designated as a Risk-of-Retirement CPM resource, but that a resource is not precluded from providing a binding offer price that is below the results of the RMR methodology?

- How does the CPM soft offer cap interrelate (if at all) with either the binding offer price or the FERC-approved cost-based rate for Type 1 and Type 3 designations?

The Six Cities also request clarification as to the technical study the CAISO will perform and the criteria that the CAISO will use to assess if a resource should receive a Risk-of-Retirement CPM designation. According to the Straw Proposal, “[f]or Type 2 CPM ROR Designations in the April window, for the resource to be designated as CPM ROR capacity the CAISO must find that the resource . . . is uniquely situated such that it is the only resource that can meet the identified reliability need.” (Revised Straw Proposal at 11, emphasis supplied.) As the Six Cities interpret the Revised Straw Proposal, the “uniquely situated” standard is limited to Type 2 designations and does not apply to Type 1 or 3 designations, which will be made if the resource is “needed for reliability purposes, e.g., [for] locational or operational reasons . . . and no new generation is projected to be in operation during” the relevant time period. (*Id.* at 11; *see also id.* at 13-14.) Assuming that the CAISO intends to apply a different test to Type 2 designations, as opposed to Type 1 and 3 designations, how are the announced criteria for each designation type different and what is the basis for this? Is the Six Cities’ understanding of the Revised Straw Proposal correct in that the “uniquely situated” standard is intended to be a higher bar than the standard for Type 1 and 3 designations? Finally, would it be appropriate for the “uniquely situated” standard apply to all designation types?

Lastly, will resources deemed eligible to receive a Risk-of Retirement CPM designation have continuing obligations to participate in competitive solicitation processes for Resource Adequacy contracts once designated? Or does the obligation to participate in such processes end upon designation?

#### 5. Selection Criteria when there are Competing Resources

##### Comments:

The Six Cities do not oppose the CAISO’s proposal to use existing selection criteria as a tie-breaker when there are multiple resources that could meet an identified need and are eligible for a Risk-of-Retirement CPM designation.

#### 6. Term and Monthly Payment Amount

##### Comments:

The Six Cities generally support this section of the Revised Straw Proposal, including the following elements:

- The proposal to compensate resources each month at 1/12 the annual compensation amount.
- The proposal to make “balance of year” payments for Type 1 designations. The Six Cities do not support retroactively compensating Type 1 resources back to the

beginning of the calendar year in which the resource was designated, nor do the Six Cities support dividing an annual compensation amount by the remaining months of the calendar year and compensating Type 1 resources at that higher monthly level.

- The proposal that designated resources will not be permitted to receive Risk-of-Retirement CPM payments while also receiving compensation under Resource Adequacy contracts, Reliability-Must-Run agreements, or other CPM procurement categories.

## 7. Cost Justification

### Comments:

The Six Cities support the CAISO's proposal that compensation to designated resources be cost-based using the methodology for Reliability-Must-Run resources as described in Schedule F to the *pro forma* RMR Agreement. However, as stated above in response to Question No. 4, the Six Cities request that the CAISO clarify how the requirement to file a cost-based rate at FERC fits with the proposed application requirement to provide a binding offer price.

## 8. Decision to Accept

### Comments:

The Six Cities do not oppose the CAISO's proposal that acceptance of a Risk-of-Retirement CPM designation will be voluntary. The Six Cities seek confirmation that resources opting to decline such a designation will remain subject to a potential Reliability-Must-Run designation by the CAISO, consistent with the applicable rules governing RMR procurement.

## 9. Cost Allocation

### Comments:

The Six Cities do not oppose the CAISO's proposal to use the existing CPM cost allocation provisions in the tariff to allocate the costs of Risk-of-Retirement CPM designations.

## 10. RA Credits

### Comments:

The Six Cities support the CAISO's proposal to provide credits for procurement of Risk-of-Retirement CPM resources. The Six Cities suggest that the next iteration of the proposal in this initiative provide additional detail as to how the CAISO will implement this credit.

### 11. Other Comments

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

**Comments:**

The Six Cities have no further comments on the Revised Straw Proposal.