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 October 23, 2018 by 5:00pm

The September 19, 2018 revised straw proposal and the presentation discussed during the September 27, 2018 stakeholder meeting 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 September 19, 2018 straw proposal.

RMR and CPM

a. Provide notice to stakeholders of resource retirements

Comments: The Six Cities interpret the Revised Straw Proposal to provide that the CAISO will provide notice to stakeholders of resource retirements when the retiring facility is of 100 MW or greater, but that the CAISO will continue to include smaller resources on its list of retiring resources posted on the CAISO website (albeit without specific notice to stakeholders). Subject to this understanding, the Six Cities support the CAISO's proposed resolution of this issue. Further, the Six Cities support the CAISO's proposal not to treat as confidential information related to the retention of deliverability.

b. Use of RMR versus CPM procurement

Comments: Consistent with their comments on the CAISO's Straw Proposal, the Six Cities support the CAISO's proposal to procure via RMR resources that are needed and that have informed the CAISO of plans to retire and to remove from the CPM the currently-effective risk-of-retirement provisions.

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

Comments: As noted above, the Six Cities support the CAISO's proposal to move all retirement-related procurement authority into the RMR provisions of the tariff. While the Six Cities previously supported the CAISO's proposal to make risk-of-retirement designations under the CAISO's RMR tariff authority for anticipated needs during up to three years in advance, the Six Cities do not oppose the CAISO's current proposal to issue such designations for needs during years 1 and 2, particularly in light of the CAISO's expectation that year 3 procurement will be addressed as part of the CAISO's RA Enhancements stakeholder initiative, which will address multi-year backstop authority.

RMR

d. Develop interim pro forma RMR agreement

Comments: The Six Cities understand that this step has been completed and have no further comments.

e. Update certain provisions of pro forma RMR agreement
    i. Remove AS bid insufficiency test and revise dispatch provisions to align with current market design

Comments: The Six Cities take no specific position at this time on the proposed modifications to the pro forma RMR agreement in Section e.i through e.iv of this comments template (addressing Section 7.2.2 of the Revised Straw Proposal), but support the CAISO's proposal to "review the entire RMR contract in a holistic manner to better align with the policy changes proposed in this stakeholder process." (*See* Rev'd Straw Proposal at 18-19.)

ii. Update Schedule M and Schedule C to include GHG compliance cost calculation, DAM and RTM gas price index, and updated SC charge calculation

Comments: Please refer to the comment provided above.

iii. Update Schedule M to be consistent with bidding rules in ISO tariff and BPM

Comments: Please refer to the comment provided above.

iv. Seek input on defining a heat rate curve formula in Schedule C for multi-stage generator resources

Comments: Please refer to the comment provided above.

f. Make RMR resources subject to a must offer obligation

Comments: The Six Cities support this element of the Revised Straw Proposal.

g. Make RMR resources subject to the Resource Adequacy Availability Incentive Mechanism

Comments: The Six Cities support this element of the Revised Straw Proposal.

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

Comments: The Six Cities continue to support the retention of RMR Condition 2 as a default, whereby resources are paid their full cost of service, with all market revenues above the cost of service credited back. Consistent with their prior comments, the Six Cities are not categorically opposed to retention of RMR Condition 1, but believe that the CAISO has raised valid considerations regarding the potential for a resource to select whichever condition will provide for the greatest amount of revenue, even where the selection may result in recovery greater than the cost of service. For this reason, elimination of RMR Condition 1 would also appear to be reasonable. The Six Cities look forward to continued consideration of this issue in the Second Revised Straw Proposal. (*See* Rev'd Straw Proposal at 25.)

i. Update rate of return for RMR compensation

Comments: The Six Cities are unable to support at this time the CAISO's proposal to set as a default rate of return the average return for the three investor-owned utilities, updated every four years. First, this proposal assumes that each utility will have a FERC-approved rate of return in effect; historically, Participating TOs have at different times exercised the option to use stated rates (rather than formula rates). Such stated rates may be determined in settlement agreements that do not provide for a specific ROE. Second, even if these Participating TOs do have FERC approved-ROEs, those ROEs may have been determined in settlement agreements that provide for a negotiated agreement that resolves multiple issues. The ROE term, as with all of the settlement terms, would reflect a balance among various considerations by all parties during the settlement process. Those considerations may not translate to generating resources owned by other parties under RMR designations. Third, at the time the CAISO performs its every-four-year update, an ROE may be in effect subject to refund and the outcome of hearing and/or settlement procedures. It would not be appropriate to use an as-filed ROE that may be subject to change following an administrative process. Further, what is the basis for performing the updated calculation every four years, versus more or less frequently? As stated before, given these considerations, it may be most appropriate to require individual resource owners to propose and support an appropriate return for their circumstances.

Even if no other changes are made to the current rate of return, the Six Cities concur with PG&E that the currently-effective rate of return should, at a minimum, be reduced to reflect the reduction in the federal corporate income tax rate resulting from the Tax Cuts and Jobs Act.

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

Comments: The Six Cities support this element of the Straw Proposal. Consistent with SCE's comments on the Straw Proposal, when the CAISO issues an RMR designation, it should obtain all of the attributes of the procured resource, even if the procurement decision is driven by the need for a specific attribute.

k. Allocate flexible Resource Adequacy credits from RMR designations

Comments: The Six Cities support this element of the Revised Straw Proposal. The Six Cities urge the CAISO to clarify whether, if the RMR designation is not specifically for flexible capacity, the decision to provide flexible capacity will be optional on the part of the resource owner; the Revised Straw Proposal suggests at page 28 that it may be. If the CAISO issues an RMR designation for local reasons (for example) and the resource is capable of providing flexible capacity, it should do so (with credits allocated accordingly).

l. Streamline and automate RMR settlement process

Comments: The Six Cities take no position on this aspect of the Revised Straw Proposal at this time.

m. Lower banking costs associated with RMR invoicing

Comments: The Six Cities take no position on this aspect of the Revised Straw Proposal at this time.

CPM

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

Comments: The Six Cities note that the Revised Straw Proposal reflects a change relative to the Straw Proposal, and that they previously supported the proposal to base CPM compensation above the soft-offer cap on going forward fixed costs plus an adder and retention of market revenues. Here, the CAISO is proposing to claw back market revenues in excess of the cost of service. Conceptually, the Six Cities support this approach as a reasonable way of mitigating against the potential for excess compensation; however, the Six Cities are concerned that the CAISO's proposal to only designate the whole of the resource because partial compensation is infeasible for resources being paid based on a cost of service above the soft-offer cap may result in excess procurement. To what extent could this be a concern? Further, why would it not be possible to pro-rate market revenues over a defined period (e.g., daily, monthly) to correspond to partial CPM designations?

o. Evaluate year-ahead CPM local collective deficiency procurement cost allocation to address load migration

   Comments: The Six Cities take no position on this aspect of the Revised Straw Proposal at this time.

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

   Comments: The CAISO's proposed resolution of this issue appears to be reasonable.

2. Other Comments

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

Comments: The Six Cities have no further comments.