

## **Western Power Trading Forum Comments on RMR CPM Straw Proposal and July 11 and August 3 Meetings**

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### **The Western Power Trading Forum**

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country.

### **Summary**

WPTF appreciates the opportunity to submit comments on the CAISO's Review Reliability Must Run and Capacity Procurement Mechanism Phase 2 Straw Proposal and July 11 and August 3 meetings. WPTF supports the CAISO's direction to better differentiate between the CPM and RMR designations. It makes sense to postpone any larger overhaul for after the CPUC has concluded Track 2 and potentially Track 3 of the current RA Proceeding. This RA Proceeding is likely to address significant issues such as RA timelines, multiyear RA requirements, and central buyer paradigms. Therefore, WPTF supports the CAISO's current Straw Proposal scope but encourages the CAISO to take this opportunity to consider changes to other aspects of capacity procurement outside of the backstops, such as the RA timeline.

### **Detailed Comments**

WPTF believes that the CAISO has done a good job at explaining the functional differences between RMR and CPM. The CAISO has explained why, how, and when an RMR designation will be used versus a CPM designation. WPTF remains less sure on the desired use for each mechanism. WPTF asks that the CAISO could more concretely articulate which type of resources should use each mechanism in order to allow the policy to be refined in a manner that best suit the CAISO's desired intent. WPTF does not see a clear difference between the resources that should use the RMR or CPM in the CAISO's current proposal and this is leading to some significant concern over requiring a must-offer obligation (MOO) and RAAIM penalties for RMR resources. Because of the difference in resources that may be given an RMR designation, WPTF is having trouble supporting any of the CAISO's proposals that are one size fits all.

WPTF does not oppose a MOO on Condition 1 RMR resources but notes that a MOO on Condition 2 RMR resources would adversely impact market prices. Applying a MOO on Condition 1 RMR resources aligns with the incentives of Condition 1 in that the resource owner is relying on market revenues. This is not the case for Condition 2 resources. Forcing Condition 2 resources, that are indifferent to market revenues, to bid in at cost during all hours will suppress market revenues.

While WPTF supports having availability incentives in place for RMR resources, RAAIM is not the best way to provide such incentives. For example, the current pro-forma agreement availability charges may be more appropriate than exposing RMR resources to RAAIM.

Alternatively, the ISO could explore other modifications that would allow for better MOO and RAAIM rules, such as those outlined below. WPTF believes that the CAISO should clearly differentiate between resources that want to retire because they are old or soon to be replaced and resources that simply are uneconomic due to RA market issues but needed for grid reliability. The following, illustrative alternative, better aligns the MOO and RAAIM rules and addresses the CPUC's issue of cherry-picking brought up at the August 5 Market Surveillance Committee meeting. Below we provide an illustrative example of three different general backstops that could be used to differentiate between resource types. WPTF is not tied to this proposal, but simply notes that an additional mandatory CPM category could allow design changes to the RMR product, and payment changes to resources that submit their retirement, and these changes may be more acceptable to a range of stakeholders. This could also be done by further modifying the CAISO's existing proposal and creating two more distinct RMR types.

#### Illustrative Backstops

**RMR: *Mandatory, retirement required.*** Used as a true runway for resources that are exiting the market due to their age and condition but are needed until alternatives can be put in place. If a resource gets an RMR contract, then (1) the CAISO Transmission Planning process must evaluate generation and transmission alternatives during the next available opportunity and (2) the owner must retire the resource once the alternatives are in place. These resources would get current full cost of service payments, not have a must-offer obligation, and have availability rules similar to today.

**Mandatory CPM: *Mandatory, no-retirement required.*** This would be used for resources that want to exit the market for economic (or other) reasons and so have sent in their retirement notice, but are needed for local or other reliability issues. The difference between this and the RMR is that these resources expect to reenter the market or want to retain that option. These resources would be paid their going-forward fixed costs and be under a time-limit to reenter the market. They would have a must-offer obligation and be exposed to RAAIM similar to other CPM resources if needed for capacity. The timing could coordinate with the annual RA process, which would allow the mandatory CPM to have differing lengths.

**Voluntary CPM: *Voluntary to offer into CSP process, mandatory acceptance after that.*** This would be used as a backstop for resource adequacy just like the current proposal, and the tariff would be updated for any needed changes. For example, bidding changes in the annual CPM process requested by generators such as an annual guarantee instead of monthly (or annual price and individual monthly prices), and a tariff review to ensure the all offers into the CSP are mandatory if accepted. These resources would be paid their offer price or up the current CAISO cap calculated as going-forward fixed costs.

WPTF thanks the CAISO for consideration of our comments.