

# CPM R-o-R Process Enhancements

## *Issue Paper*

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### **Summary:**

Calpine supports modest modifications to the CPM Risk-of-Retirement (“RoR”) process to make it more practical to those who may wish to use it. However, it appears to Calpine that the modifications necessary to make CPM RoR reasonable (as discussed below) result in a process that becomes largely redundant to the tariff conditions allowing RMR designations.

### **Growing Consensus for Forward Local Procurement**

At the outset, Calpine observes that there appears to be a growing consensus for centralized and forward procurement of local resources. As suggested by PG&E, SDG&E and conditionally, by SCE, there is a compelling chorus of parties seeking a “glide-path” to local capacity procurement in the face of gradual, but extensive dependence on renewable resources.

Parties have different motivations to define a better glide-path. The current gas-fired generators, like Calpine, face deteriorating market dynamics and difficult decisions to either suspend operations or seek compensatory RA or backstop contracts. Unabated, the CPM RoR process constrains and forces both the CAISO and the generator into a position of unreasonable brinksmanship late each year. Even then, a generator may have no line-of-sight to sufficient compensation to undertake incremental capital expenditures – such as major maintenance or efficiency and environmental upgrades.

The utilities face shrinking load profiles, as Community Choice Aggregators and potentially new Direct Access Customers take the load obligation. They reasonably seek a reasonable allocation of the costs of reliability resources to all who benefit.

Forward procurement of local reliability units by the CASIO solves both concerns – generators are given a forward planning window and retirement signal and if structured reasonably utilities are given a just and reasonable allocation of costs. Additionally, with forward contracting, the process avoids the “front-running” problem by moving RA contracting well in-advance of retirement decisions.

**Identified Issues:**

Calpine believes that the CAISO has properly scoped the issues that could be addressed as minor modifications. One issue however is not on the list – and that is the determination of price for a CPM designation, as discussed below.

**Potential Enhancements:**

1. Who Can Apply? The current tariff forces unnecessary brinksmanship. A unit that has an RA contract is barred from seeking RoR – or more precisely, bars the CAISO from designating a CPM resource – until they are no longer contracted. Calpine supports modifications to allow the CAISO to consider the retirement of resources that are currently under contract for future RoR .
2. Timing/Length of process. Calpine sees value in the “clustering” of RoR requests as an option to reduce workload and to provide information sooner to a unit considering retirement. However, a unit must retain the right to file for a termination of its PGA at any time, regardless of whether it has been reviewed as part of a cluster.
3. Selection Criteria. In an oversupplied local area, the most efficient way to award capacity is through a simultaneous bid-based process. Otherwise, the CAISO will be put in a position of using administrative, and likely non-transparent factors to pick winners and losers.
4. Term. The CAISO *must* clarify term. The current language can be interpreted to allow much more discretion than intended. Calpine agrees the term could be represented as the “remaining months of the targeted compliance year.”
5. Price. The current tariff requires that the Schedule F, cost-of-service be divided by 12, yielding a \$/kw-mo price. As discussed in the workshop, this calculation is sufficient, presuming that there is no “gap” between the expiration of contracts and the designation by the CASIO.

If the administrative process, however, requires that a unit remain available while the determination is being finalized, either those months should be compensated, or the denominator in the price calculation should

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be adjusted to represent the smaller number of months covered by the designation.

6. Attestation. Calpine agrees that the attestation, if required, should be modified to allow for reasonable consideration of future conditions such as, but not limited to the emergence of RA, or bilateral contracts or Significant Events.

Thanks