California ISO

Attachment A

Stakeholder Process: Resource Adequacy Availability Incentive Mechanism Modifications

Summary of Submitted Comments

Stakeholders submitted two rounds of written comments to the ISO under the Resource Adequacy Availability Incentive Mechanism Modifications stakeholder initiative on the following dates:

- Round One (comments following White Paper), 09/14/17
- Round Two (comments Draft Final Proposal), 10/03/17

Stakeholder comments were received from:
California Department of Water Resources (CDWR), Calpine, Department of Market Monitoring (DMM), NRG, Pacific Gas & Electric (PG&E), Six Cities, Southern California Edison (SCE), San Diego Gas and Electric (SDG&E)

Stakeholder comments are posted at:
http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=BE2F1F02-FDC8-43C6-B55B-C4D6E3A2E2A3
http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=F881D4E1-A949-4619-B276-F889C489B292

Other stakeholder efforts include:

- Conference Call, 07/26/17
- Conference Call, 09/07/17
- Conference Call, 09/28/17

Comments of following Market Participants	Comments
California Department of Water Resources (CDWR)	CDWR continues to have questions pertaining to the final implementation and application of the proposed modification to various scenarios.
Department of Market Monitoring (DMM)	DMM states that the ISO proposal resolves the immediate issue. However, DMM also recommends 1) the ISO should create separate prices for generic and flexible capacity and 2) an alternative calculation
Pacific Gas & Electric Company (PG&E)	PG&E does not oppose the ISO proposal, understanding the need for resolution and implementation prior to summer 2018. However, PG&E requests more details be provided during implementation
NRG	NRG disagrees with ISO's use of only the availability assessment hours and believes that flexible RA pricing should reflect the incremental price paid for flexibility (i.e. zero).
Six Cities	Six Cities supports the ISO proposal, but reserves final comment for implementation.
Southern California Edison (SCE)	SCE argues that the ISO should create separate prices for generic and flexible capacity.
San Diego Gas & Electric (SDG&E)	SDG&E supports correcting the incentives, but opposes the ISO proposed splitting of generic and flexible RA and the use of the weighting factor for categories 2 and 3 flexible capacity.

Management Response	Management believes that it would be impracticable to create separate prices for generic and flexible RA products to be used in the RAAIM calculation. Load-serving entities procure Resource adequacy (RA) products bilaterally outside of the ISO market. As a result, the ISO has limited information on the different values of generic RA and flexible RA. Stakeholders raised this issue in the initial reliability service initiative – phase 1 FERC filing as well. In that proceeding, FERC approved using a single price in the RAAIM calculation. Therefore, Management's proposed use of a single monthly price for both generic and flexible RA capacity is consistent with existing FERC-approved policy Management considered DMM's alternative methodology for calculating the RAAIM and declined to propose their calculation because 1) it would reduce incentives for resources to follow their flexible RA must-offer obligations and 2) it would result in variable pricing of generic and flexible RA among resources based on the proportion of each product shown. Moreover, additional delay caused by trying to develop separate prices would result in the ISO relying on the current flawed methodology through summer 2018. The ISO will continuing working closely with stakeholders through the tariff and BPM development process to provide additional details on the proposal.