

La Paloma Generating Company, LLC

November 17, 2016

POB175 (Mail)
1760 W. Skyline Road
(Deliveries)
McKittrick, CA 93251

661.762.6000
Fax: 661.762.6041

RE: La Paloma Generating Company, LLC. (La Paloma) comments on CAISO Stakeholder Catalog Process

Carla Banks, Director of Commercial Strategy, Rockland Capital (713) 898-0530
David Grant, Financial Manager, La Paloma. (661) 762-6053

La Paloma appreciates the opportunity to provide comments and rankings on the following stakeholder initiatives:

Initiative Name	Grid Reliability	Improving Overall Market Efficiency	Desired by Stakeholders	Market Participant Implementation (\$ and resources)	ISO Implementation (\$ and resources)
Risk-of- Retirement Process Enhancements	10	8	8	10	3
<p>Risk-of-retirement enhancements will affect RA prices and, therefore, the entire generating community. This initiative will also ensure the ISO can continue integrating renewables without risking grid reliability, which absolutely affects market efficiency. La Paloma believes this should therefore be given a "8" for both improving market efficiency and for desired by stakeholders.</p> <p>Market Efficiency can also be measured by the viability of the entire network. Although strategic or planned retirements are necessary due to obsolence, unplanned retirements will produce unintended consequences which will impact system reliability and which can cause further inefficiencies thereby increasing costs to stakeholders and end users.</p> <p>Understanding the emissions profile, generating capacities, and flexibility of each resource and subsequently ranking resources based on which can provide the most useful grid support will be challenging for the ISO, but necessary to understand which units can help the state achieve emissions, conervation, and operating goals for its electrical grid.</p>					

Regional Multi-Year RA2	10	7	7	7	3
<p>All stakeholders- load and supply- are better off when the CPUC and CAISO stay synchronized. Furthermore, many stakeholders would prefer the CAISO to take lead on any Multi-Year RA process so that the CAISO can coordinate the backstop requirements and any ultimate risk-of-retirement analysis.</p> <p>In addition, multi-year RA is one potential solution to begin addressing the Risk-of-Retirements stakeholder issue. MOUs and IOUs need multi-year contracts to plan outages, labor, improvements, cash flow, etc. There are numerous opportunities that generation owners could capitalize on to improve overall grid operations and reliability, such as increased ramping rates, turn-down capabilities, water conservation, and increased output. However, under the current market conditions (narrowing of spreads, minimal capacity revenues, and increased cycling) profits are scarce and survivability is the biased focus of IOUs. The clarity and sustainability associated with a multi-year RA market would help many participants improve their physical assets to support many of the ISO's goals.</p>					

Real-Time Market Enhancements	10	7	7	7	3
<p>Extending the market outlook horizon alone would warrant an increase in grid reliability of "10." As the ISO integrates high levels of solar and wind, the 4.5 hour outlook will grow increasingly insufficient to accommodate steep real-time ramps. Without this initiative the ISO risks large amounts of operator intervention, which both decreases efficiency and introduces extreme grid reliability risk.</p>					

La Paloma Supports Six Cities Comments to Improve Stakeholder Catalog Process

La Paloma is aware that Six Cities is submitting comments that include a suggestion on process improvements to the stakeholder catalog process and ISO's decision making on which initiatives to pursue. As we understand it, they propose to (1) Increase ISO's consideration of stakeholder input prior to decisions about moving forward with different initiatives; (2) Hold an abbreviated stakeholder process every 6-months in which stakeholders may submit up to 5 initiatives and the ISO will take this into consideration rather than going through a full ranking process; and (3) Suggest guidelines or principles such that the ISO do a holistic review of initiatives every six-months and when deciding what to work on take into account connections between initiatives and the connection to their own strategic plan. La Paloma supports this proposal or any proposal that increases the meaningfulness and transparency in how the ISO uses stakeholder input to decide priorities and that is also less resource intensive for all parties than the current annual process.