Stakeholder Comments Template

Revised May 30, 2017

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the stakeholder initiative "Capacity Procurement Mechanism Risk-of-Retirement ("CPM ROR") Process Enhancements."

Submit comments to InitiativeComments@CAISO.com

Comments are due June 6, 2017 by 5:00pm

The Issue Paper posted on May 10, 2017 and the presentations discussed during the May 18 and 25, 2017 working group meetings can be found on the CPM ROR webpage.

Please use this template to provide your written comments on the issue paper topics listed below and any additional comments that you wish to provide.

1. Problem Statement and Scope of Initiative

Please provide any comments on the problem statement and scope of this initiative.

Comments:

NCPA appreciates the opportunity to comment on this initiative. NCPA understands that this initiative, together with FRAC-MOO 2 and the CPM risk of retirement initiatives, is intended to propose discrete and limited changes to address some of the difficulties assuring that resources providing necessary reliability services are adequately compensated for those services. While

NCPA applauds CAISO's recognition of the problems experienced by certain baseload resources in the RA markets, NCPA believes that CAISO stakeholders would be better served by a comprehensive effort to address the problem of insufficient revenue streams to retain needed resources than by tweaks to existing market rules that threaten to create more problems than they solve or by resource-intensive undertakings to address contingencies that may never arise. Within this framework, NCPA responds to the specific questions posed below.

The Capacity Procurement Mechanism Risk-of-Retirement Process Enhancements Issue Paper, dated May 10, 2017, describes concerns raised by certain market participants that the risk-of-retirement CPM processes (and associated requirements) are too restrictive and/or problematic because resources do not know whether they will have an RA contract until October 31 of the current year. NCPA believes one of the core objectives of the original risk-of-retirement CPM design was to limit the likelihood of the mechanism being used, unless ultimately necessary to preserve reliability. This objective was partially accomplished by including various prerequisites and requirements that would help ensure the mechanism is only used in extreme circumstances, and not to incent resources to seek a risk-of-retirement CPM designation or to obtain information about the CAISO's reliability needs that would allow resources to exert market power in the regular RA contracting process. As such, if through this stakeholder process it is determined that the current risk-of-retirement process should be modified, the scope of this initiative should be limited, and should aim not to reduce the protections and limitations currently incorporated into the mechanism that would make it "easier" for resource to seek a designation without proving (in a comprehensive way) that all other options available to generate revenues have been exhausted. To the extent that the existing timelines are problematic, NCPA does not consider the use of RMR contracts in situations where timing prevents the use of the CPM process to be a bad result.

2. Identified Issues

Please provide any comments on the issues that have been identified thus far in the initiative, including if there are other issues that you would like to identify.

Comments:

The comments below are in response to the Identified Issues as further described in Section 5 of the Issues Paper.

- Who/When Can Apply

NCPA supports the current risk-of-retirement CPM requirement that only resources that are not under a RA contract can request a CPM risk-of-retirement designation. A resource with an expiring contract that has been told it will not be renewed might be allowed to request a designation earlier, but should not be given the results of CAISO studies before the RA procurement process is completed.

- Timing

NCPA supports the current risk-of-retirement CPM process and timing. Risk-of-retirement designations should only be made if a clear and defined reliability need is identified by the CAISO through its study process. One of the key variables that CAISO requires to perform that analysis is what resources have been committed under RA contracts. Based on this requirement, and the need to have such information available at the time of the study, NCPA supports the timing of the current risk-of-retirement CPM tariff provisions.

- Deadline

While NCPA recognizes the challenges described by the CAISO in its Issue Paper, considering that no risk-of-retirement CPM designations have been made to date, NCPA believes a first-come first-serve approach is still the most efficient and appropriate approach. NCPA does not believe the complexity that would be required to establish a "cluster request process" is necessary at this time in light of more pressing issues that both market participant and CAISO resources should be committed to (e.g., developing more robust and reliable revenue streams in the market).

- Selecting from Competing Resources

Developing selection criteria to be used in the rare case where multiple resources are seeking a risk-of-retirement CPM designation congruently would be an appropriate item to consider within the scope of this initiative. In general, NCPA believes the key criterion should focus on ensuring the most cost effective and electrically effective resources are selected, since the underlying purpose of the risk-of-retirement CPM mechanism is to support reliability (but not at any cost).

- Decision to Accept

NCPA agrees that a resource owner's decision to accept a designation as CPM capacity should be voluntary. Notwithstanding NCPA's support for a voluntary election, NCPA also believes that once a resource has announced that it is seeking a risk-of-retirement CPM designation, if through the evaluation process CAISO determines that the resource is not needed to maintain reliability, the resource should be obligated to retire, unless the resource can provide formal, documented evidence that it has acquired a new revenue source to support its ongoing cost of operations. This type of protection is necessary to ensure the rules do not incent resources to "play chicken" with the risk-of-retirement CPM designation process.

- Forward Need Determination

NCPA could consider a mechanism to allow a resource to seek a potential opinion from the CAISO regarding a forward need determination that could assist a resource owner's decision in seeking a risk-or-retirement designation, but the method used by the CAISO to perform such an analysis would have to be carefully designed to ensure the information provided to the resource does not provide the resource with an unfair competitive advantage, or encourage the resource to exercise any form of market power it may have. Also, to encourage a resource owner to only seek a designation in extreme circumstances, the CAISO should charge the resource owner a fee to perform the study, to both cover the cost of the study and to discourage resource owners from casually and unnecessarily requesting such studies. Moreover, there would have to be an explicit recognition that a final determination could not be made until the CAISO knows which resources have received RA contracts for the following year.

3. Potential Enhancements

Please provide any comments on the potential enhancements that were listed on slides 19, 20 and 21 of the slide presentation for the May 25, 2017 working group meeting.

Comments:

The comments below are in response to the potential enhancements listed on slides 19, 20 and 21 of the slide presentation.

- Who Can Apply

The risk-of-retirement CPM designation mechanism should only be used in very limited and extreme situations, and has so far not been invoked. Based on the speculative nature of this situation, NCPA supports retention of the existing risk-of-retirement CPM tariff provisions.

- Timing/Length of Process

The RA process has so far proven to be successful, and is well established. NCPA would strongly object to any proposed modifications to the RA process/timelines/deadlines, to accommodate changes to the risk-of-retirement CPM designation process/timeline that would upset the carefully constructed balance between the interests of generation owners and ratepayers.

The primary reason market participants are not doing long-term contracting for RA resources is because the CAISO and CPUC are constantly changing the rules; therefore, there is far too much regulatory risk to contract long term. Rule changes here will further exacerbate that concern. The rules should only be modified if there is a clear and defined benefit to be gained. There have been no risk-of-retirement CPM designations to date, so adjusting a well-developed and functioning RA procurement process to accommodate the very limited application of risk-of-retirement would not be appropriate, and any consideration of such is a clear “tail wagging the dog” situation.

4. Other Comments

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

Comments:

No other comments at this time.