

Stakeholder Comments

Subject: Potential Reliability Must-Run Designation: Yuba City Energy Center and Feather River Energy Center

| Submitted by | Company | Date Submitted |
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The Office of Ratepayer Advocates (ORA) provides the following comments on the California Independent System Operator Corporation’s (CAISO) Potential Reliability Must-Run (RMR) Designations for the Yuba City Energy Center and the Feather River Energy Center. On March 6, 2017, the CAISO conducted a stakeholder call to discuss presentation materials entitled “Calpine Peakers Retirement Assessment.”

The CAISO informed stakeholders during the March 6, 2017 stakeholder call that it seeks to secure RMR designations for two 47 megawatt (MW) peaker plants operated by Calpine.¹ The CAISO received a letter dated November 28, 2016 in which Calpine stated that generation from four of its peaker plants may be unavailable after December 31, 2017, when current long-term contracts expire. The CAISO stated that Calpine reports a need for significant multiyear investments to continue operation of the four plants in question. The CAISO also stated that Calpine needs a decision by the end of March 2017 to allow adequate time for development of terms and conditions for capital outlay and resource planning.

The CAISO evaluated the potential reliability impact of closing the four plants in question and determined that the Yuba City Energy Center and the Feather River Energy Center would be needed in 2018. Based on the final 2017 Local Capacity Technical Study, loss of the Yuba City plant would create an 18 MW shortage in the Pease sub-area of the Sierra Local Capacity Area. The CAISO explained that while the Feather River plant’s capacity is not needed for reliability, the plant serves an important role in absorbing reactive power to mitigate voltage issues. Based on a projected need for the Yuba City and Feather River plants, the CAISO intends to seek approval from its Board to request RMR designations for these two plants.

¹ The CAISO did not communicate with all interested stakeholders ahead of its decision to seek RMR designation from its Board.

The CAISO stated that it will work with Calpine, the responsible utility and the California Public Utilities Commission (CPUC) to review Calpine's proposed costs for service, including any proposed capital investments. These costs will form the basis for the cost of the RMR contracts. ORA and other stakeholders who can enter into non-disclosure agreements with the CAISO should be included in any review of proposed costs and contractual arrangements.

On March 15, 2017 the CAISO Board will vote on the RMR designations. The CAISO provided no clear explanation for the fast-tracking of this process.

The expedited stakeholder process provided limited time for stakeholders to gather information and prepare well-informed comments, which were due four days after the March 6, 2017, presentation. After reviewing the materials presented to stakeholders and participating in the stakeholder call, many issues remain. These include but are not limited to:

1. Neither the CAISO nor Calpine have provided information on the time required to determine costs and develop terms and conditions for RMR, which already has a pro-forma contract.² What are the reasons that Calpine cannot wait until after March for a decision on the designation?
2. How long are each of these two plants needed and how is that determination made?
3. The 2018 Draft Local Capacity Technical Study includes estimates for 2022 indicating a reduced need in the Pease sub-area. It is not clear that long term investments in the Yuba City Center will lead to the best outcome for ratepayers. By the time work is completed, the capacity of the plant may no longer be needed.
4. Will an RMR contract for Feather River lead to the best outcome for ratepayers?
5. Are there alternative measures could also address the reliability and voltage challenges at a lower cost to ratepayers?
6. The CAISO stated that a Resource Adequacy contract does not necessarily obviate the need for an RMR contract. The CAISO should explain why.
7. RMR is an annual contract. The CAISO implied that there would be an annual renewal, stating that a one-year RMR designation would not prevent the plants from entering into longer arrangements with the CAISO if the need is identified.³ How can the CAISO give Calpine assurance that an annual contract will be renewed? Is that assurance based on a reliability need for the plants or on the need for Calpine to recover its investment?

The CAISO should respond to the issues identified by ORA, and those of other stakeholders, and defer approval of the RMR designations until it demonstrates that RMR designations for the Yuba City and Feather River plants are the most cost-effective solutions to maintain reliability.

² CAISO Tariff, Appendix G Pro Forma Reliability Must-Run Contract.

³ *CAISO Seeks Reliability Designations for Calpine Peakers*, Mullin, Robert, RTO Insider, March 7, 2017.