

## **SCE Comments on the CAISO's Updating ICPM, Exceptional Dispatch Pricing and Bid Mitigation draft tariff language**

SCE appreciates the opportunity to review and submit these comments and clarification requests on the CAISO's Updating ICPM, Exceptional Dispatch Pricing and Bid Mitigation draft tariff language.

Please note that SCE's review focused on whether or not the modifications within the draft tariff language are accurate and consistent with the updates and language reflected in the CAISO's Revised Draft Final Proposal (Sept 15, 2010) as well as reflect actions offered by the DMM in their comments (Oct 5, 2010) on this topic.

Our comments/requests for clarification, which are listed in order of the tariff sections, are intended to help clarify tariff language and do not indicate SCE's support of all elements of the CAISO's CPM proposal."

### **Section 43.1:** Clarification

#### 43.1: Interim Capacity Procurement Mechanism

The ICPM as well as changes made to other Sections to implement the ICPM shall expire at midnight on the last day of the twenty-fourth month following the effective date of this Section and shall be replaced with the CPM, except that the provisions concerning compensation, cost allocation and Settlement shall remain in effect until such time as ICPM resources have been finally compensated for their services rendered under the ICPM prior to the termination of the ICPM, and the CAISO has finally allocated and recovered the costs associated with such ICPM compensation.

- A) Will the CAISO please clarify if a resource with an ICPM designation that extends beyond March 31, 2011 will have its compensation remain at \$41/kw-yr thru the duration of its designation period or will the compensation be prorated to reflect the updated compensation of \$55/kw-yr beginning April 1, 2011?
- B) Similarly, will the CAISO please clarify for a resource with an ICPM designation that extends beyond March 31, 2011 that enters a planned maintenance outage after April 1, 2011, will the modifications regarding prorating compensation to reflect unavailability due to planned maintenance be applicable?

### **Section 43.2(6):** Suggested edits

Change:

"Capacity at risk of retirement within six months that will be needed for reliability within two years."

to

"Capacity at risk of retirement within six months that will be needed for reliability ~~within two years~~ by the end of calendar year following current RA Compliance Year."

**Basis:**

Depending upon when a resource owner submits a notice of retirement, less than 24 months (i.e. 2 years) may remain before the end-of-the-year after the current RA Compliance Year (i.e. before the end of the “2<sup>nd</sup> year”). Using the term “within two years” may give the false impression that the ISO’s “study of need” will encompass a period of 2 years starting from either the notification date or announced retirement date, when in-fact the study of need period is limited to Jan 1 – Dec 31 of the year following the current RA Compliance Year.

**Section 43.2.6(4): Suggested edits**

**Change:**

“No new generation will be in operation by the start of the subsequent RA Compliance Year that will meet the identified reliability need;”

to

“No new generation ~~will~~ **is projected by the CAISO to** be in operation by the start of the subsequent RA Compliance Year that will meet the identified reliability need;”

**Basis:**

Using “projected by the CAISO” provides a basis for decision authority associated with this sentence and eliminates potential questions that may arise if using a generic authoritative “will”.

**Section 43.2.6(5): Requested clarification**

“The resource owner submits to the CAISO at least 180 days prior to termination of the resource’s PGA the affidavit of an officer of the company, with the supporting financial information and documentation discussed in the BPM for Reliability Requirements, that attests that the resource will not be commercially viable in the current RA Compliance Year and is likely to retire.”

Per ID# CPM-BRQ011 within the BRS<sup>1</sup>:

“The resource owner must submit to the ISO a formal declaration of intent to retire ....”

- A) Will the CAISO please clarify if the word “must” is explicitly required within either the Tariff or the Final BRS to in-fact require a resource owner to submit a notification to the CAISO 180 calendar days prior to intended termination of the PGA? That is, if neither the tariff nor the Final BRS contain the word “must” prior to “submit”, i.e. neither contains “must submit”, could such a submittal be considered voluntary?
- B) Will CAISO please clarify that a resource’s notice of intent to terminate their PGA is synonymous with a resource’s intent to retire at the same time the PGA is terminated?
- C) Will the CAISO please clarify that the term “likely to retire” is synonymous with “intends to retire”, and what, if any, actions may be taken against a resource owner by any stakeholders should a resource owner decide, upon not being deemed needed within the 2<sup>nd</sup> RA

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<sup>1</sup> Business Requirements Specification: Capacity Procurement Mechanism, and Compensation and Bid Mitigation for Exceptional Dispatch (CPM). Version 1.0, October 21, 2010 (pg 11 of 16).  
<http://www.caiso.com/2835/2835ec2533760.pdf>

Compliance period, to either cancel its notice of likely retirement or not submit a notice of intent to terminate its PGA with the CPUC or applicable jurisdictional entity?

- D) Will the CAISO also please clarify whether or not, and if so how, the CAISO will notify stakeholders that a resource owner submitted an intent to retire and that the CAISO did not subsequently deem the resource as warranting a CPM for the remainder of the current RA Compliance Year?

**Section 43.2.6(6): Requested clarification**

“The CAISO reviews the affidavit and supporting financial information and documentation submitted by the resource owner and performs due diligence to assess the resource’s financial circumstances, and which as part of its review shall **consider the results of any analysis performed by the CAISO’s DMM** of the affidavit and supporting financial information and documentation to assess the accuracy of the information submitted, the reasonableness of the representations and conclusions contained in the submission, and the appropriateness of the resource’s conduct and efforts to sell Capacity in the bilateral market;”

Per ID# CPM-BRQ009 within the BRS<sup>2</sup>:

“The Department of Market Monitoring **may review** the required financial documentation associated with capacity at risk of retirement.

Per DMM’s comments to the CAISO<sup>3</sup>:

“The information above (i.e. financial data included within the notice of intent to retire) **would be subject to review by DMM** from several aspects:

- A) Will the CAISO please clarify their understanding whether or not the DMM’s offer is to definitively or only possibly review the financial (and other) data associated with a resource’s notification of intent to retire?
- B) Will the CAISO please clarify to what extent the current language within either the BRS or proposed Tariff reflects the level of commitment placed upon the DMM to perform such a review?

**Section 43.2.6: Request clarification**

The last paragraph includes

“Prior to issuing the CPM designation, the CAISO shall prepare a report that explains the basis and need for the CPM designation. The CAISO shall post the report on the CAISO’s Website and allow an opportunity of no less than 30 days for stakeholders to review and submit comments on the report and for an LSE to procure Capacity from the resource.”

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<sup>2</sup> Business Requirements Specification: Capacity Procurement Mechanism, and Compensation and Bid Mitigation for Exceptional Dispatch (CPM). Version 1.0, October 21, 2010 (pg 11 of 16)

<sup>3</sup> DMMS’s comments on the CAISO’s Revised Draft Final Proposal on CPM et al. Oct 5, 2010 (pg 5-6)  
<http://www.aiso.com/2827/2827ab1b602a0.pdf>

- A) SCE notes that the CAISO's Business Requirements Specification (BRS): Capacity Procurement Mechanism, and Compensation and Bid Mitigation for Exceptional Dispatch (CPM) [Version 1.0; October 21, 2010] includes a process flow diagram (Appendix A) that indicates that a Market Notice will be issued one week prior to the CPM Report being published.

Will the CAISO please clarify/confirm that a Market Notice will be issued at least one week prior to the posting of the CPM report and that language to this effect will remain in the final BRS or be included within the Tariff language.

- B) Will the CAISO please clarify if it is possible for the identified amount of needed capacity to be less than the resource's full capacity, and if so, will the CPM Report identify only the amount of capacity needed for reliability purposes or will the CPM Report identify the resource's full capacity as being needed? If the full capacity is not needed, would the CAISO declare a CPM designation for only the amount of capacity that is needed or would the CPM designation be for the resource's full capacity?
- C) Will the CAISO please clarify if the (1) – (7) order of circumstances contained in 43.2.6 represents an anticipated or potentially actual sequence of events/information dissemination.

SCE's concern:

Based upon discussion during the Aug. 23, 2010 workshop, SCE understood the CAISO to say that they would perform technical assessment studies to determine if a resource at risk of retirement was needed in the subsequent RA Compliance Year for reliability purposes (step 3 in 43.2.6) only after the resource owner had submitted a notice of intent to retire to the CAISO (step 5 in 43.2.6). Information from a technical assessments study for the year subsequent to the current RA Compliance Year (i.e. for Year 2) should not be made available until after the resource submits its notice of intent to retire.

- D) Will the CAISO please clarify the process a stakeholder should use to question the results of the CAISO's technical assessment, to obtain information/assumptions used in the CAISO's technical assessment, and what tariff language can a stakeholder reference to contest a CPM designation for a resource that threatened retirement?

SCE looks forward to hearing the CAISO's reply to our concerns/clarifications during the Nov. 3 teleconference.

Sincerely,

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Oct 27, 2010