Western Power Trading Forum Comments on Metcalf Energy Center Retirement Assessment

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About the Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency in order to facilitate transactions among market participants. The membership of WPTF includes load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities, all of which participate actively in the California market and other such markets in the West and across the country.[1]

Comments

WPTF appreciates the opportunity to provide these brief comments of support on the Metcalf Energy Center Retirement Assessment. It almost goes without saying that if the CAISO designates Metcalf as a Reliability Must Run (RMR) resource, this is very clear sign of market failure. WPTF believes that the need to give Metcalf a cost-based contract to keep the resource from being unavailable is a signal that the CPUC's local RA program is providing insufficient incentives to load serving entities to contract with needed resources.

The CAISO's local capacity requirement study identifies aggregated (e.g., Greater Bay Area) capacity requirements as well as specific sub-area requirements and specifically notes that at least two blocks of Combined Cycle are needed in the South Bay sub-area at Moss Landing.[2] Recognizing there is transparency on the capacity needs to load serving entities (LSEs), WPTF must ask why LSEs in the PG&E TAC are unwilling to contract with Metcalf at just and reasonable prices sufficient to support operations, including major maintenance.

First, WPTF acknowledges the difficulty LSEs have under the current Resource Adequacy construct especially in light of the disaggregation of buyers in part due to the growth of CCAs. In fact, the historic buyers (PG&E and SCE) are sellers in the RA markets today. No single buyer is in a position to take on a purchase as large as a 600 MW plant, especially one that requires major maintenance in order to continue operations. These fundamental issues cry for structural change.

Second, it is a failure of the Resource Adequacy design in that both the CPUC and CAISO have put artificial and unworkably low cost caps on local procurement. LSEs can seek waivers of the local purchase requirements, even if prices rise to the modest price of $3.33/kw-mo.

Third, WPTF notes that inherent differences in the CAISO LCR requirements and CPUC Resource Adequacy program sets the stage for gaps in procurement of local resources. That is, the CPUC's aggregated approach to RA ignores the LCR requirements in sub-areas. This difference, combined with the disaggregation of buyers and absence of transparency is likely to

[1] A member list can be found here and these comments do not necessarily represent individual member views.

[2] http://www.caiso.com/Documents/Final2018LocalCapacityTechnicalReport.pdf, page 42.

lead in time to more, not less deficient LCR sub-areas and more, not less use of CASIO backstops.

Fourth, unlike the CAISO, the CPUC counts all local resources as if they have their August Net Qualifying Capacity (NQC) regardless of what month it is. Therefore, while both the CAISO and CPUC have a single local requirement across all months, the CPUC counts capacity to meet this requirement that isn't actually deliverable according to CAISO studies. This is why a CPUC-jurisdictional LSEs can be short meeting their local CAISO requirements, while at the same time being compliant with CPUC requirements. The CAISO has never used their monthly backstop authority- even when an LSE was short on local capacity. Therefore LSE's are incented to procure as little capacity as possible and just meet the CPUC requirement. This allows LSEs to shape their local contracts and contract with less local capacity in non-August months than actually required. This puts downward pressure on prices, particularly for the last bit of capacity needed. This is only one of a few key differences between the CAISO and CPUC resource adequacy programs that causes price suppression.

Finally, WPTF recommends that in light of the increasing potential RMR contracts the CAISO prioritize moving forward with resource adequacy reforms; including multi-year requirements, some sort of centralized procurement, and improved peak and net-peak planning load forecasting.

Thank you for the opportunity to provide comments.