Stakeholder Comments Template

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 July 12, 2017 by 5:00pm

The Straw Proposal posted on June 20, 2017 and the presentations discussed during the June 27, 2017 stakeholder conference call can be found on the CPM ROR webpage.

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

1. Who can apply

Comments:

The response to this question is related to the response to Question 2.

2. Timing

Comments:

A majority of stakeholders had taken issue with the earlier version of the CAISO's proposal in regards to its schedule as well as its lack of consistency with the RA program schedule. CLECA believes that although the CAISO has made an effort to address a number of earlier concerns expressed by stakeholders, not all of the problems have been addressed in this revised straw proposal.

The CAISO recommends two application periods for seeking to be procured under the Risk of Retirement (ROR) Capacity Procurement Mechanism (CPM), one in April and one in November. For the April application process, the premise is that the resource that is being considered for an ROR CPM designation is not an RA resource in the current year. For example, if a resource applies for an ROR CPM designation in April 2017, then it must not be an RA resource for 2017. In that case, the CAISO will undertake a study to determine if the resource is needed by the end of calendar year 2018. "If the CAISO finds the resource to be needed before the end of calendar year 2018, then it may issue a ROR CPM designation to the resource for the remaining months of 2017."[1] The language in this statement is somewhat confusing. CLECA assumes that the reason the CAISO would grant the resource an ROR CPM status is to provide bridge funding for the resource in 2017 until it is needed in future years, i.e., either 2018 or 2019. However, it is not clear if, in this example, the CAISO would also grant the resource a ROR CPM designation for the year 2018 or it would grant it solely for the remaining months of 2017. We assume it is the latter. The CAISO and the resource would not definitively know the status of the resource for 2018 until RA allocations for 2018 are announced on October 31, 2017. If the resource does not have RA status for 2018, we assume that it could apply in November 2017 for ROR CPM for 2018. This would require a study to determine if the resource were needed in 2019. In that case it could receive a ROR CPM for 2018 as "bridge funding".

In response to the earlier version of the proposal, the California Public Utilities Commission (CPUC) staff and stakeholders had pointed out that by granting an ROR CPM designation to a resource, the CAISO might pre-empt the determination of RA capacity for the subsequent year, namely, 2018, which would not be known until October of 2017.

To address this dilemma, in its revised proposal, the CAISO specifies a number of provisions. We address each specific requirement and our concerns regarding it below.

(1) The resource would have to show that its costs are high compared to other resources it is competing with for RA contracts.

    CLECA has several questions and concerns regarding this criterion. First, the proposal does not specify if the cost information would be submitted publicly or confidentially. If

[1] CAISO's Capacity Procurement Mechanism Risk-of Retirement Process Enhancements Straw Proposal dated June 20, 2017 at 9.

the cost information is required to be submitted publicly, it is likely that few resources would wish to jeopardize their competitiveness by revealing their costs. On the other hand, if the resource may submit cost information confidentially, then neither the CPUC nor the stakeholders will have insights into the process by which the CAISO will grant an ROR CPM status to a resource, a problematic outcome. In this context, CLECA notes that Reliability Must Run (RMR) contracts are confidential, so we assume that the cost information for ROR CPM would likewise be confidential.

It is also not clear if the binding offer price would be based on the costs the resource owner submits while applying for an ROR CPM designation. We would assume they would be consistent, but the proposal does not address this point.

The CAISO proposes that ultimately the FERC would decide the level of compensation for the ROR CPM resource. Would FERC accept such a confidential filing? For that matter, is it clear that FERC would be willing to take on the role of deciding on compensation for such resources?

(2) The resource will require major maintenance in the future.

The same reservations stated above may apply here.

CLECA also wonders if a resource would accept ROR CPM treatment for a year, be provided with compensation that includes recovery of major maintenance costs, and then opt out of ROR CPM treatment afterwards, since such treatment is voluntary? In other words, could a resource ask for ROR CPM treatment for one year so as to recover costs of a major upgrade and then position itself for a future RA contract at a lower price?

(3) Attestation that the Load Serving Entity (LSE) with whom the resource has a contract will not procure it for the next year.

Our concern with regard to this provision is that even if the LSE were willing to provide such an attestation, it does not mean that another LSE might not be willing to contract with the resource for the following RA year. As the number of LSEs increases, the alternatives will expand. One question that the CAISO needs to answer is whether the resource will need to go to and seek such an attestation from all of the LSEs in the CAISO's Transmission Access Charge (TAC) area.

(4) The LSE will not procure the resource through a Request For Offer (RFO).

Again, how the LSE will definitely decide and attest to this potentially in advance of conducting an RFO is not quite clear.

Moreover, we retain some concern about how the April application process will mesh with the RA process. The CAISO's ROR CPM process might still result in front-stopping of capacity instead of backstopping it as stakeholders had mentioned in their previous comment. It is also possible that resources may have an incentive to game the two processes in order to obtain the best economic outcome.

Depending on how many resources apply for an ROR CPM designation, the process could represent considerable work for the CAISO. There is also some concern that the CAISO's study might prove to be unnecessary if the resource ends up getting an RA designation or makes a successful bid in an LSE's Request for Offer (RFO).

CLECA has alluded to the process and timing concerns for 2019 above but expands on these further here.

For a resource applying in November 2017, the CAISO states, "Resource is not RA for upcoming year. Under the ROR CPM tariff provisions, the CAISO will undertake a study to determine if the resource is needed for reliability before the end of calendar year 2019. If the CAISO finds the resource to be needed before the end of calendar year 2019, then it may issue a ROR CPM designation to the resource for 2018."[2]

CLECA assumes the above language to mean that the CAISO will essentially provide bridge funding to the resource in 2018 in order for it to stay viable and available for reliability purposes in 2019. CLECA wishes to clarify that, unlike the April application process, the resource in this example may or may not be an RA resource in 2017.

CLECA is somewhat concerned that, similar to the April application process, the November application process might pre-empt the RA process for subsequent years.

It would be helpful if the CAISO would explain in detail how different the ROR CPM process is from the RMR process.

We also have questions regarding costs as well as cost allocation outlined in the last section below.

Application Requirements

Comments:

[2] Ibid at 9.

In its June 20 straw proposal, the CAISO proposes to require an affidavit from an executive officer of the company owning the resource stating that it would be uneconomic for the resource to stay in operation without an ROR CPM designation. This is a welcome addition to the CAISO's earlier proposal. However, CLECA still has some concerns about the application process and the proof required to demonstrate that a resource is not likely to receive an RA designation or an RFO contract, as explained in our answer to Question 2.

3. Selection Criteria when there are Competing Resources

Comments:

Tariff Section 43A.4.2.3 states, "if two or more offers would meet the cost minimization criteria identified in Section 43A.4.2.2 equally, then the CAISO shall grant the designation in its discretion based on criteria A and B, below. In the Intra-monthly CSP, if two or more offers are within 10% of each other in terms of total cost to designate the capacity, then the CAISO shall grant the designation in its discretion based on criteria A and B, below.

Criterion A – Relative effectiveness of the resources in meeting local and/or zonal constraints or other ISO system needs.
Criterion B – Relative operating characteristics of the resources, including dispatchability, ramp rate, and load-following capability."

The above conditions are acceptable to CLECA.

4. Term and Monthly Payment Amount

Comments:

The CAISO proposes to pay the 1/12th of the annual CPM payment. The CAISO proposal seems reasonable.

5. Cost Justification

Comments:

The CAISO states that the resource would have to apply to FERC to justify its costs and FERC will subsequently decide compensation. Would item 4 apply after this occurs? The proposal is not entirely clear on this point.

The other concern CLECA has is how long FERC approval would take. This provision seems to introduce a high level of uncertainty into the ROR CPM process.

6. Decision to Accept

Comments:

The CAISO states that the ROR CPM process is purely voluntary and that the resource may decide not to accept the ROR CPM. This is problematic because the CAISO would have spent a lot of its time and resources on this process only to have the resource reject the offer. As stated above, there is also a concern about gaming the process.

7. Other Comments

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

Comments:

One of our major concerns with the proposal is not directly addressed in any of the items above, namely cost impacts and cost allocations. It is not clear how the allocation of costs of the ROR CPM compare with the allocation of RMR costs. RMR costs are assigned to the Participating Transmission Owner (PTO) and thus included in its transmission rates. CLECA assumes that the costs of the ROR CPM will be allocated to the LSEs in the CAISO's TAC area. Since the resource is needed for reliability, would the costs be allocated to all TAC areas or only the TAC area where it is located?.[3] Unless capacity is procured specifically for an individual LSE's local area deficiency, its cost should not be incurred disproportionately by the LSE and its peers but spread across all customers in the CAISO's TAC area.

The other concern CLECA has is that by solely focusing on backstopping of fossil fuel capacity through its ROR CPM initiative as well as its parallel initiative for Temporary Suspension of Resources, the CAISO may be ruling out other attractive options. Stakeholders have been patiently awaiting the CAISO's durable flexible capacity product for example. It is also not clear if the CAISO can and will consider demand response or storage options in the studies it proposes to conduct before granting an ROR CPM status to a fossil fuel resource. While CLECA sympathizes with the CAISO's efforts to ensure that adequate capacity is available on its system to maintain reliability, we believe the CAISO should not ignore alternatives to keeping old fossil fuel power plants running.

Moreover, the Integrated Resource Planning (IRP) proceeding, being conducted by the CPUC in coordination with the California Energy Commission and the California Air Resources Board, is expected to determine resource planning for the State. The CAISO should participate in that forum and avoid bypassing the IRP process as much as possible.

[3] Under P. U. Code Section 365.1(c)(2), net capacity costs associated with system or local reliability need for the benefit of all customers should be allocated to all benefitting LSEs.