



Capacity Procurement Mechanism Risk-of-Retirement Process Enhancements

Issue Paper

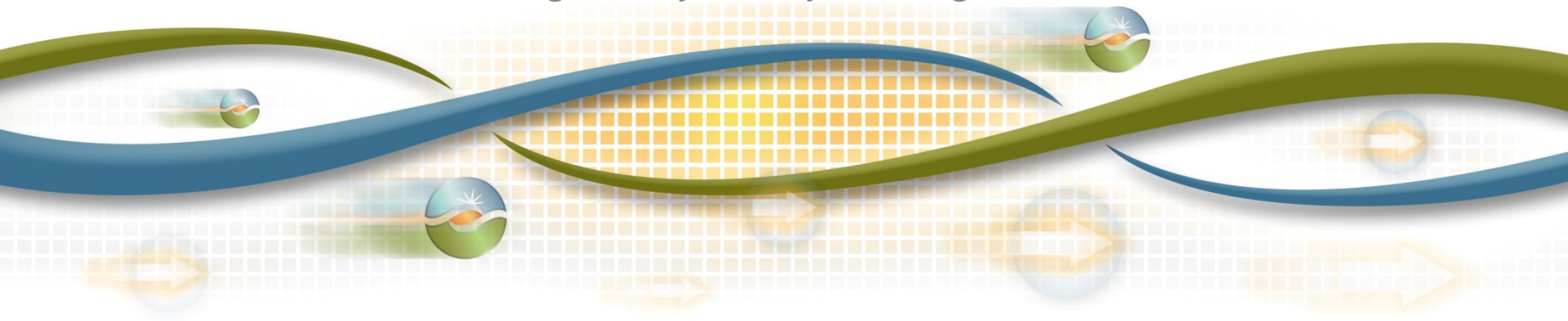
Stakeholder Working Group Meeting #2

May 25, 2017

10:00 a.m.–3:00 p.m. Pacific Time

Keith Johnson

Infrastructure and Regulatory Policy Manager



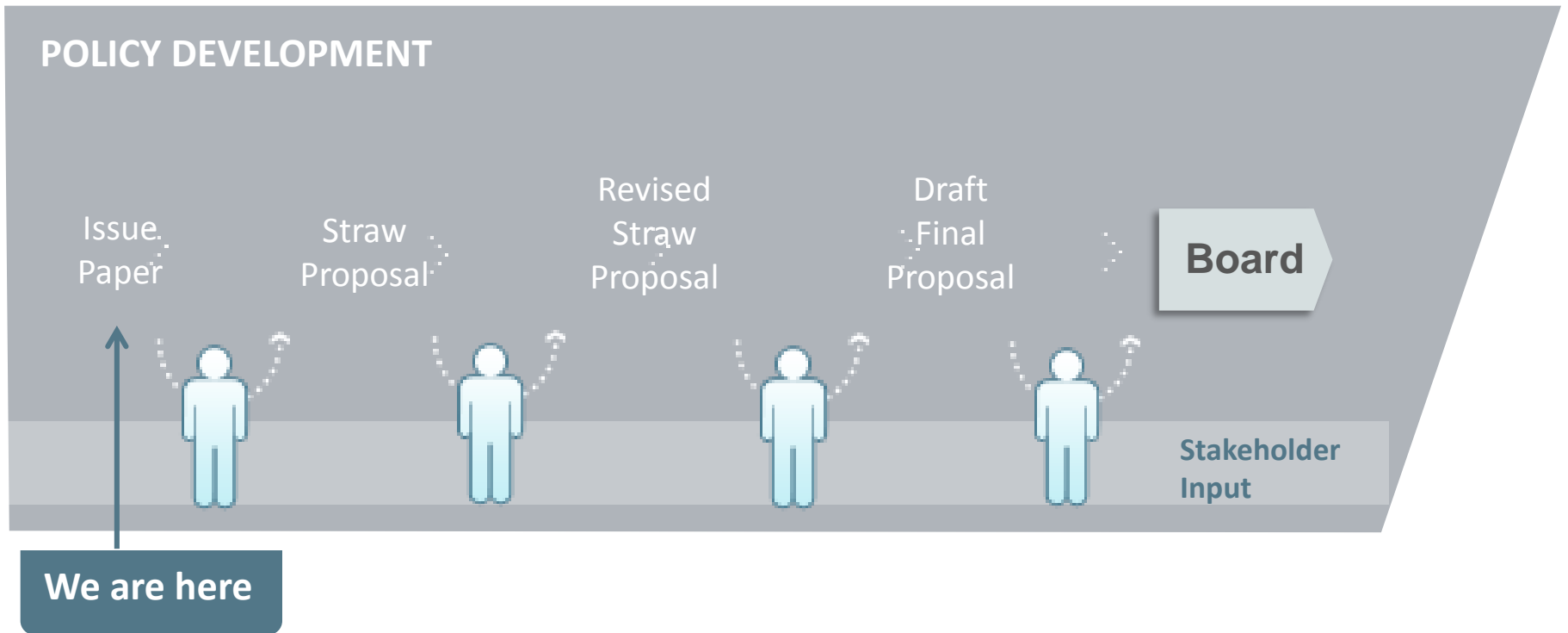
Agenda

Time	Item	Speaker
10:00-10:15	Plan for Stakeholder Engagement	Jody Cross
10:15-10:45	Background and Scope	Keith Johnson
10:45-11:15	Identified Issues	Keith Johnson
11:15-12:00	Potential Enhancements	Keith Johnson
12:00-1:00	Lunch Break	(on your own)
1:00-2:30	Stakeholder Discussion – Potential Solutions	Stakeholders
2:30-3:00	Next Steps	Jody Cross

PLAN FOR STAKEHOLDER ENGAGEMENT

Stakeholder Process

Capacity Procurement Mechanism
Risk-of-Retirement Process Enhancements



The plan is to present a proposal to the CAISO Board for approval on November 1-2, 2017.

- To facilitate development of straw proposal, CAISO will hold two working group meetings for stakeholders to exchange ideas
 - First meeting on May 18 - focused on needs and issues
 - Second meeting on May 25 - focused on potential solutions
- Stakeholders encouraged to participate in working group meetings and present ideas, concerns and potential solutions

Stakeholder Process Schedule

CPM Risk-of-Retirement Process Enhancements

Document	Date	Milestone
Issue Paper	May 10	Post issue paper
	May 18	Hold stakeholder working group meeting #1
	May 25	Hold stakeholder working group meeting #2
	June 1	Stakeholder written comments due
Straw Proposal	June 20	Post straw proposal
	June 27	Hold stakeholder call
	July 12	Stakeholder written comments due
Revised Straw Proposal	August 8	Post revised straw proposal
	August 15	Hold stakeholder call
	August 28	Stakeholder written comments due
Draft Final Proposal	September 12	Post draft final proposal
	September 19	Hold stakeholder call
	October 3	Stakeholder written comments due
Final Proposal	November 1-2	Present for approval at Board meeting

Hope to implement enhancements by end of Q1 2018

BACKGROUND AND SCOPE

Resource owners have requested enhancements to CAISO's process to procure resources at risk of retirement.

- Resource owners are concerned that if their resource is currently under a resource adequacy (“ RA”) contract, but not likely to be procured as RA for next year, they cannot apply for their unit to be procured under CAISO's backstop procurement mechanism until after October 31 of current year*
 - Owners think this condition of the CPM process results in insufficient time to make important business decisions
 - Owners want longer “runway” to make decisions

* CAISO's backstop procurement authority is in Capacity Procurement Mechanism (“CPM”) tariff, section 43A.2

Scope is limited to process improvements – we are not redesigning the major features of backstop mechanism.

- Initiative will explore whether an analysis can take place prior to October 31 – thus speeding up the evaluation process
- Also need provisions to address situation where multiple resources may request backstop procurement for same period of time

The CAISO is authorized to use its backstop procurement authority in four situations.

1. Insufficient local, system or flexible RA capacity in year-ahead or month-ahead RA showings
2. “Significant Event” occurs on grid
3. Reliability/operational need for Exceptional Dispatch
4. Capacity needed for future year is at risk of retirement

Tariff: “CAISO will not issue CPM designations in order to circumvent existing procurement mechanisms that could adequately resolve reliability needs”

The key risk-of-retirement process steps are listed below.*

- If resource is not under an RA contract, it can apply at any time for risk-of-retirement designation
- If resource is currently under RA contract, it has to wait until it will no longer be RA to apply for such designation
- CAISO must conduct study to determine that resource is needed in the current and subsequent RA year
- If conditions are met, CAISO must
 - Post report and allow no less than 7 days for stakeholders to review and submit comments
 - Allow at least 30 days for LSE to procure capacity from that resource
- CAISO may issue CPM designation only if no LSE procures that particular resource

* The entire process could take as much as 3 months from the date of request until procurement

There are several conditions that must be met before the CAISO can procure for risk of retirement.

- CAISO must not have identified a need in “current” RA year, after assessing all of the combined LSE’s RA showings, else CAISO must issue a “current” year CPM designation and not a CPM risk of retirement
- Resource is needed for reliability by end of calendar year following current RA compliance year
- No new generation or transmission is projected to be in operation by start of subsequent RA compliance year that will meet identified reliability need

Resource owners must submit an application to the CAISO requesting backstop procurement.

- Must submit the following, at least 180 days prior to terminating resource's Participating Generator Agreement
 - Request for designation, including offer price and affidavit of executive officer
 - Supporting information that attests it will be uneconomic for resource to remain in service and decision to retire is definite unless CPM procurement occurs
- Must be able to demonstrate that all eligible capacity from resource has been offered into all competitive solicitation processes for current RA year

The limitations of the current CPM risk-of-retirement process were highlighted in March 2017.

- Calpine had four units that were at risk of retirement
- CPM could not be used due to process conditions
 - Only resources that are not under an RA contract can apply
 - Calpine units were currently under RA contract until end of 2017
 - If resource is currently under RA contract, owner has to prove that an LSE has not picked it up for RA for next year
 - LSEs submit final year-ahead RA showings on October 31
 - Calpine needed answer in March 2017 - it could not wait until October 31 to start CPM process
- RMR does not have these conditions
 - CAISO Board authorized procurement for RA year 2018 of two units using Reliability Must-Run tariff

IDENTIFIED ISSUES

Thus far, the CAISO has identified six issues.

Issue	Discussion
Who/When can apply	Tariff allows only resources that are <u>not</u> under RA contract to request and be granted procurement, which limits scope of resources that can apply
Timing	Process may not provide sufficient time for resource owner to make retirement business decisions <ul style="list-style-type: none"><li data-bbox="490 682 1738 815">• Owners may not want to wait to start CPM process until after RA showings are submitted on October 31 and identified procurement deficiencies are cured in mid-December<li data-bbox="490 825 1715 911">• Current process gives only about a month of notice before end of calendar year to manage important decisions
Deadline	Currently no deadline for a resource to seek a designation <ul style="list-style-type: none"><li data-bbox="490 996 1704 1130">• Could result in serial designation requests, whereby no reliability need may exist for the first resource(s) that seek(s) CPM designation

Issues (continued).

Issue	Discussion
Selecting from Competing Resources	Multiple resources may seek designation, but not all of the capacity may be needed – need to determine how to decide which resource(s) are granted designation
Decision to Accept	Owner currently can accept or decline offer of designation – discuss whether any change is needed
Forward Need Determination	Discuss whether a forward need determination could be made early each year for following year or contract cycle
Other Issues	Stakeholders are invited to identify other enhancements to process they believe should be considered

POTENTIAL ENHANCEMENTS

There may be enhancements that could improve the process – not yet proposing, but offered for discussion.

Enhancement	Description
1. Who Can Apply	Clarify that an owner whose unit is not currently under an RA contract can already apply at any time under CPM tariff for risk-of-retirement procurement. Should CAISO consider allowing an owner whose unit is currently under an RA contract and believes it will not be able to be RA in the subsequent year to apply while still under RA contract?
2. Timing/Length of Process	Could CAISO commit to specific, quick timelines for steps in process, such as how long to complete study?
3. Timing/Length of Process	Could CAISO do a study earlier in year, upon request, before final RA showings are in, to thus speed up study process after October 31 thereby being able to post the study report in early November? Should CAISO share any of the results of this early study with any party before October 31 of each year? Operation Standard 23 under General Order 167 requires unit owner to notify CAISO and CPUC of retirement at least 90 days in advance. What if the CAISO were to post any results 90 days before start of the next RA year?

Potential enhancements (continued)

Enhancement	Description
4. Deadline/Window to Apply	Does it make sense to provide a deadline or window to apply for backstop procurement to mitigate the potential of serial designation requests, whereby no reliability need may exist for the first resource(s) that seek(s) CPM designation?
5. Selection Criteria	CAISO may be able to leverage existing CPM selection criteria for use in instances where several resources apply for risk of retirement at same time. Section 43A.4.2.2 sets forth general cost minimization criteria. Section 45A.4.2.3 sets forth tiebreaker criteria and permissible criteria if resource offer prices are within 10% of each other in intra-monthly solicitation.
6. Term	CAISO could clarify intent of minimum length of designation: the intent may be to not procure for just as little as one month - what it depends on is what time during RA compliance year the decision to procure is made and CAISO would procure for all of the remaining months of the compliance year?

Potential enhancements (continued)

Enhancement	Description
7. Attestation – Decision to Retire is Definite	Could some leeway be provided regarding current requirement that executive officer must attest that unit will be retired (for sure) unless backstop procurement occurs by tweaking current language to cover unit being sold to another party or later getting an RA contract so that unit owner is more willing to sign attestation? Are there any other reasonable conditions?
8. Attestation – Timeline	Could timeline for having to actually retire unit if backstop procurement does not occur be clarified or expanded or shortened so that unit owner is more willing to sign attestation?

STAKEHOLDER DISCUSSION – POTENTIAL SOLUTIONS

NEXT STEPS

Next Steps

- June 1 - Stakeholders submit written comments by close of business
 - Use template provided on website at: [CommentsTemplate](#)
 - Submit to mailbox: initiativecomments@caiso.com
- June 20 - Post straw proposal