Stakeholder Comments Template

Submitted by	Company	Date Submitted
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1. Lack of MPM in CSP

Comments: SCE does not object to the lack of market power mitigation leading to a few months' CPM awards but annual CPM awards have not been demonstrated as competitive. The CAISO has not demonstrated that the soft-offer cap in the CSP is a sufficient MPM mechanism for designations extending 12 months. SCE reiterates its request for a three pivotal supplier test to be implemented for any annual CSP. If the CSP fails the three pivotal supplier test, then the CAISO should pursue a RMR agreement, since the negotiation and direct FERC approval of such a contract are significantly more effective than going forward fixed costs plus 20% plus retaining market rents.

2. Allocation of costs for RMR resources that have been awarded in RUC

Comments: SCE supports the CAISO proposal on cost allocation. While SCE had initially raised a concern during the stakeholder call, after further considering the process, SCE understands it to be appropriate.

The RMR resource is acquired as a tolling contract paid for by TAC area customers. When the same resource is awarded in RUC, it benefits the whole market and thus any RUC cost allocation should be to the whole CAISO BA. However, since the contract is paid for by the TAC that pays for the cost of service of RMR, the same TAC area customers should receive any market rents from RUC since they were the reason for the resource being available in RUC to begin with.

SCE supports the CAISO's proposal on RUC cost allocation for awarded RMR resources.

3. Comments on December 12, 2018 second revised straw proposal.

RMR and CPM

a. Provide notice to stakeholders of resource retirements

Comments: SCE supports the CAISO sending market notices for 45 MW or higher resource retirements or mothballs.

b. Clarify use of RMR versus CPM procurement

Comments: [Insert comments here]

c. Explore whether Risk of Retirement CPM and RMR procurement can be merged into one mechanism

Comments: SCE supports the CAISO proposal.

RMR

d. Develop an interim pro forma RMR agreement

Comments: SCE supports the CAISO proposal.

e. Make RMR resources subject to a must offer obligation

Comments: SCE supports the CAISO proposal.

f. Consider making RMR resources subject to the Resource Adequacy Availability Incentive Mechanism

Comments: RAAIM is inappropriate for RMR compensation. RMR prices are usually much higher than RA. If there is a premium paid for capacity, LSEs should have an assurance of benefits for what they have paid in the form of energy availability. As SCE has stated previously, a RMR contract pays for the entire fixed revenue requirement and pays the resource its costs when dispatched (by clawing back any rents beyond the cost). This structure is effectively a tolling agreement in which the buyer should be receiving all benefits of the resource which include not only its capacity value but its energy value as well.

While the CAISO is focused on the capacity associated with the resource, the LSEs are paying for the capacity value as well as the energy value of the resource. The dispatch of energy at cost is the manner in which the LSE will receive that energy value. While the CAISO proposes that the resource would be subject to a 24/7 must offer obligation, the use of availability assessment hours will result in the loss of the contract capacity revenues only if the outage occurs during a limited duration of the day. The energy value of the contract however should be available to LSEs for more than those limited set of hours. As such, the RAAIM mechanism by itself is not sufficient to ensure that the LSEs that pay for the resource receive commensurate benefit from the resource.

SCE continues to believe that instead of using RAAIM unaltered, the CAISO, through the RMR negotiation, should define the minimum availability of the resource. Outages above this amount would result in a claw back of the capacity payment for the period of unavailability. The minimum availability can and should be shaped based upon the reliability need and typical energy prices for the month. That is, more valuable months and months with more reliability need should have fewer acceptable outage hours.

Additionally, the CAISO has proposed RAAIM applicability based on its claim of simplification of settlements between RMR, CPM, and RA resources. However, there is no evidence that the number of RMR resources will become significant to the point that the simplicity benefit from settlements will not remain de minimis. Alternatively, the CAISO can demonstrate to stakeholders that the monetized cost from the existing RMR settlement process is unduly burdensome to the CAISO.

SCE does not support this part of the CAISO proposal.

g. Consider whether RMR Condition 1 and 2 options are needed

Comments: SCE supports the CAISO's proposal to eliminate Condition 1

h. Update rate of return for RMR compensation

Comments: SCE supports the CAISO proposal to have the Generator Owner propose a rate of return within the RMR agreement which will be subject to the FERC approval process.

i. Align pro forma RMR agreement with RMR tariff authority that provides ability to designate for system and flexible needs

Comments: SCE supports the CAISO proposal.

j. Allocate flexible Resource Adequacy credits from RMR designations

Comments: SCE supports the CAISO proposal.

k. Streamline and automate RMR settlement process

Comments: [Insert comments here]

l. Lower banking costs associated with RMR invoicing

Comments: [Insert comments here]

CPM

m. Change CPM pricing formula for resources that file at FERC for a CPM price above the soft-offer cap price

Comments: The CAISO has not demonstrated that the FERC considers GFFC+20%+market rents as necessary to compensate the resource's market cost of capital. The CAISO's proposal to allow a resource to keep market rents, is based on an assumption, not a certainty, that the FERC will not accept any other proposal. SCE believes that FERC adopted the present 20% adder under the presumption that the resource would be receiving the reference resource revenue under the bid cap which may or may not represent a sufficient contribution to the resource's capital. To accommodate this, the CAISO also allowed the retention of market rents as another source of contribution to capital.

In this case, where the resource is receiving compensation above the soft-offer price cap, there is no doubt that the 20% adder is contributing to capital. With that uncertainty removed, it is not clear that the retention of market rents in total is appropriate. SCE believes that prior FERC guidance on this issue as expressed by the CAISO may not be indicative of the current set of circumstances.

n. Evaluate if load serving entities are using CPM for their primary capacity procurement

Comments: [Insert comments here]