

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 “RMR and CPM Enhancements.”

Submit comments to initiativecomments@caiso.com

Comments are due January 10, 2019 by 5:00pm

The December 12, 2018 second revised straw proposal and the presentation discussed during the December 20, 2018 stakeholder conference call can be found on the following webpage: http://www.caiso.com/informed/Pages/StakeholderProcesses/Review_ReliabilityMust-Run_CapacityProcurementMechanism.aspx.

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

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

RMR and CPM

- a. Provide notice to stakeholders of resource retirements

Comments: [The Six Cities support this element of the proposal.](#)

- b. Clarify use of RMR versus CPM procurement

Comments: As explained in prior comments, the Six Cities are generally supportive of the framework proposed by the CAISO, which is to utilize RMR, rather than the CPM, to address resource retirements.

Participants during the stakeholder call on December 20th raised questions about how the CAISO's proposed RMR procurement process would work with respect to mothballing resources (as opposed to retirement). The Six Cities urge the CAISO to consider whether there should be different or additional requirements applicable to mothballing resources versus resources that are definitively committing to retire. For example, will a resource that asserts its intention to mothball be required to do so in the event the resource is not deemed needed? For what duration, and will the circumstances in which subsequent mothballing is not required be the same as for potential retirements (i.e., a facility sale, alternate CAISO procurement, or entry into an RA contract)? The Six Cities note the CAISO's view that rules prohibiting false statements and misrepresentations to the CAISO should be adequate to thwart retirement and/or mothballing requests that are simply attempts to engage in price discovery or gauge the level of need for a particular resource. Are there any additional safeguards specifically with request to mothballing requests that should apply?

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

Comments: The Six Cities have no additional comments at this time on this aspect of the proposal.

RMR

- d. Develop an interim pro forma RMR agreement

Comments: The Six Cities understand that this step has been completed.

- e. Make RMR resources subject to a must offer obligation

Comments: The Six Cities support application of a must-offer obligation to resources under an RMR contract and agree that the obligation should be a 24x7 requirement.

The proposal to require resources to submit cost-based bids (inclusive of any major maintenance costs) with crediting for market rents above variable costs is reasonable.

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

Comments: The Six Cities support an appropriate enforcement mechanism to ensure that resources subject to RMR procurement perform and provide the services for which they are being compensated. The Six Cities understand the CAISO proposal to be use of a penalty that is either the applicable RAIM penalty price or the RMR agreement price, whichever is higher. The Six Cities question whether application of incentive availability payments are appropriate within the context of an RMR agreement.

PG&E and SCE have identified concerns with respect to the application of RAIM to RMR resources. Their concerns appear to be based primarily on a lack of alignment between the purpose and structure of the RAIM versus the nature of the proposed RMR must offer obligation, which is intended to ensure that customers receive the energy and capacity benefits of a resource that is being procured at its full cost. In light of these concerns, the CAISO and stakeholders should focus on adopting a performance mechanism that would best encourage the expected level of performance under the RMR agreement. Requiring a non-performing RMR resource to return the capacity payment associated with any period of non-performance appears to be a relatively straightforward enforcement mechanism that would be more consistent with the RMR structure.

Although the CAISO's proposal to use the RAIM is based on a desire for consistency with the RA and CPM mechanisms and streamlined administration of RMR contracts, stakeholders have not been provided with information demonstrating that use of a different penalty pricing structure for RMR agreements would result in an undue or inappropriate administrative burden for the CAISO.

Finally, if the CAISO believes that additional information regarding the outage management process can help resolve concerns regarding the use of RAAIM, the Six Cities urge the CAISO to provide that information to stakeholders in the next proposal.

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

Comments: The CAISO's proposal to eliminate Condition 1 appears to be reasonable.

- h. Update rate of return for RMR compensation

Comments: The CAISO's proposal to require resource owners to support a proposed rate of return in their cost of service filings to FERC is reasonable.

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

Comments: The Six Cities support this aspect of the CAISO's proposal. All attributes of an RMR resource should be procured.

- j. Allocate flexible Resource Adequacy credits from RMR designations

Comments: The Six Cities support this aspect of the CAISO's proposal; all attributes of an RMR resource should be procured.

- k. Streamline and automate RMR settlement process

Comments: The Six Cities have no additional comments on this aspect of the CAISO's proposal, subject to their comments provided elsewhere regarding substantive aspects of the CAISO's proposal.

- l. Lower banking costs associated with RMR invoicing

Comments: The Six Cities have no comments on this aspect of the CAISO's proposal.

CPM

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

Comments: The Six Cities recommend a further change to the CAISO's proposal to revise the pricing formula for resources that file at FERC for a price above the CPM soft-

offer cap. Limiting such resources to their going forward fixed costs plus a 20% adder is reasonable, notwithstanding the voluntary nature of CPM participation. However, the Six Cities request that the CAISO revise its proposal to provide that such resources are not entitled to retain market revenues in addition to recovery of their going forward fixed costs plus the adder, which would appear to result in the recovery of excessive revenues.

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

Comments: The CAISO's proposed resolution of this issue appears to be reasonable.

2. Other Comments

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

Comments: The Six Cities urge the CAISO to more fully consider and address the concern identified by SCE in this initiative related to the potential exercise of market power by resources potentially subject to an annual CPM. Consistent with SCE's comments, it would be advisable to test for market power before awarding an annual CPM to a resource.