Attachment A

Stakeholder Process: Flexible Capacity Procurement: Risk of Retirement, 2012

Summary of Submitted Comments

Stakeholders submitted five rounds of written comments to the ISO on the following dates:

- Round One – 2/16/12
- Round Two – 3/23/12
- Round Three – 6/26/12
- Round Four – 8/10/12
- Round Five – 8/28/12

Stakeholder comments are posted at:
http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleCapacityProcurement.aspx

Other stakeholder efforts include:

- In-person stakeholder meeting – February 6, 2012
- In-person stakeholder meeting – March 12, 2012
- Stakeholder conference call – June 14, 2012
- In-person stakeholder meeting – August 2, 2012
- Stakeholder conference call – August 21, 2012

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Alliance for Retail Energy Markets	Does not believe that it is appropriate for the CAISO (or the CPUC) to provide any sort of out-of-market bridging mechanism to units considering retirement	N/A	Concerned that designation confers no RA benefit.	N/A	N/A	N/A	Sunset provision does not send proper signals for market reforms.	Should focus on establishing multi-year obligations. Flexible capacity needs should not be embedded in RA, but in AS procurement.
Calpine	Would prefer the establishment of an administrative price or objective formula for determining an administrative price. The $2 million maintenance cap should be scaled to the size of the resource.	Opposes as proposed. Risks are asymmetric (i.e. revenues split, but not costs). Will not encourage economic bidding.	There should be no formal obligation for designated resources to remain available beyond the designation year.	The long-term standby option should be eliminated from the proposal.	N/A	CPUC and the CAISO need to reach a consensus about flexible capacity requirements.	Believes the timeline is unworkable. Administrative pricing can solve this problem. Supports sunset provision, but proposed sunset does not send the correct signals.	CPM should not count towards minimum revenue guarantee.
CDWR	Does not support including project investment costs. Should consider scaling $2 million	Supports.	Should be obliged to be available in the year it was originally	N/A	The cost allocation and cost causation should be examined in	The planning assumptions should be clearly stated.	A cure period is “essential” and should be made explicit in the	They would like the next proposal to outline details on how LRAs could

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	for investment cost based on plant size. Should consider capping payments at CPM Rate.		designated to be available for.		Phase II.		proposal. Sunset provision is reasonable.	establish their own flexible capacity and local capacity need so that they could avoid ISO's backstop.
Clean Coalition (Comments from draft final proposal)	N/A	N/A	They believe the ISO should have an option to extend the contract through the identified year of need, contingent upon unforeseen costs and compensation terms.	N/A	N/A	They support the ISO's cautious modeling and they believe the ISO should overtly compare needs assessments derived from previous planning assumptions against actual realized needs.	Also in support of a cure period.	They believe other forms of flexible capacity are able to provide many of the needs in the near future. Concerned that delaying retirement of existing facilities will delay development of the market for preferred source of flexible capacity.
Center for Energy Efficiency and Renewable Technologies	N/A	N/A	N/A	N/A	N/A	Concerned that suitable oversight for the ISO does not exist and that the ISO would be willing to over pay or over	Supports the sunset provision	N/A

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						procure. Requests third party verification		
CMUA (Comments from draft final proposal)	Since there is no offer obligation, unforeseen costs resulting from facility operations should be solely covered by the generation resource owner.	Compensation should be based on a predefined formula and there should not be much discretion for the ISO.	Some type of secured interest should be held by the ISO that would be a condition of receiving risk of retirement compensation.	N/A	Cost allocation should be based on cost causation. Allocation to LSEs is "unacceptable."	ISO should not override the planning and procurement assumptions of applicable regulators.	In support of a cure period that is temporally linked to the forward period in which the ISO identifies a deficiency.	Believes the proposal is vague regarding how flexible capacity will be determined by the ISO, and there is a general lack of detail in the proposal.
CPUC (Comments from draft final proposal)	The project investment costs as well as major maintenance costs should be taken out of the calculation. They fear the risk of retirement will become more appealing than the market. They would like all the costs to be more transparent.	The 10% cost adder and the project investment cost should be removed. The compensation should be capped at the going forward costs. The DMM proposal gives resources excessive compensation.	The ISO should defer to the CPUC-administered bundled procurement plans when determining what amount of forward-procurement is sufficient to contract under multi-year forward capacity contracts.	N/A	N/A	The appropriate and prudent planning assumptions to use are the CPUC-approved Standardized Planning Assumptions form the LTPP proceedings.	N/A	The financial detail needs more explanation. Forward procurement can be handled in the CPUC realm within existing LTPP structure.
DRA	Should not	Unclear how 10	N/A	N/A	There should be	The planning	Supports a	Generally

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	include debt interest expense and corporate salaries.	percent split was chosen.			an assessment of the potential costs to ratepayers over the first 1-5 years of implementation.	assumptions must be consistent between the ISO and the procurement planning processes at the CPUC. Current proposal does not provide enough upfront input from stakeholders. Definition of flexible should match the CPUC's.	cure period.	opposes the ISO seeking the tariff changes sought through this initiative.
Dynegy Marketing and Trade, LLC	N/A	Changing 10% cost adder for 10% revenue retention is a move in the wrong direction. Revenue retention will not provide an incentive to stay in the market	N/A	N/A	N/A	N/A	Process is needlessly complex.	Should instead modify CPM to include 3-5 year horizon. Proposal is "RMR lite" and should be avoided.
IEP (Comments from draft final Proposal)	N/A	N/A	N/A	N/A	Supports the cost allocation laid out in the proposal.	N/A	N/A	N/A
NCPA	Does not support	Supports proposal to	The resources	N/A	The costs for	The planning	N/A	Need is not well

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(Comments from draft final proposal)	some non-standard administrative expense. Also does not support project investment costs not directly related to expanding the resource's ability to provide flexible capacity to the system.	claw back net market revenues but not the 10% cost adder. The compensation should just be enough to keep going. Resources should not retain partial market revenues.	should have to post some level of financial security that will be forfeited if the resources don't stay in the program until the specified year it is needed in.		flexible capacity Risk of Retirement should be allocated to market participants who generate the need, including intermittent generators.	assumptions do not provide enough detail to validate the results. The ISO must clearly describe its studies.		defined and not understandable. Proposal lacks detail and is not transparent. Would like clear predefined limits and requirements to be eligible for risk of retirement. The lack of detail about the financial showing is concerning.
NRDC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Should prioritize resources with lower emissions profiles.
NRG Energy (Comments from draft final proposal)	The proposal needs to include more cost details. CAISO should cover unforeseen costs that may arise.	Does not support the ISO's proposal. Need to include some opportunity for return on investment. The proposed 10% retention will not likely result in market participation.	If a risk of retirement designation is continually granted to a resource then CAISO should not be concerned about that unit retiring.	Long-term stand-by presents substantial risk and challenges, and it is not clear it would even be less than keeping the unit operational.	The current cost allocation proposal is a good start.	The assumptions must be clearly defined and include stakeholders (also must be identical to the assumptions used to support the primary procurement	A cure period is appropriate. The proposed process does not seem to allow for revisions to the ISO's needs assessment.	Focusing on the backstop mechanism while no work is being done on the primary mechanism is wrong. Risk of retirement will distort the markets for other generators that depend on the

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						mechanism).		ISO market revenues.
PG&E	Compensation should be capped at CPM. $2 million for investment cap should be a hard cap. Should not include debt on interest, corporate salaries or expenses, or general plant costs	Supports DMM's proposal of subtracting a portion of net market revenues.	N/A	N/A	The ISO needs to develop a fair cost allocation mechanism based on causation.	Definition of flexibility should match the CPUC's.	Annual RA LCR process should be expanded to include system requirements for RA, flexibility, local capacity for each of the next five years.	75% of the resource's capacity should be flexible to be eligible. Resource must meet 10% of need to be eligible. Should have sunset provision four years into the future.
SCE	Need more detail on the costs that are recoverable. The current design is too costly for ratepayers. Rules for profits from energy and AS when a resource receives a designation need to be clarified.	Risk of retirement should not provide profits to resources. Expenses should be for life support only.	ISO should have the authority to renew a resource that has received a designation and ISO should require some form of collateral.	Opposes removing the Long-term Standby option because it could provide lower nominal costs to retaining capacity at risk of retirement. ISO does not provide sufficient justification	ISO should pursue cost allocation rules based on cost causation, even if done using a crude tool.	The needs assessment process requires more formal controls.	The least-cost contract path should include a multi-year look and not a year by year deal. More information regarding an "undercut opportunity" should be provided.	Excessive use of the backstop could lead to distortions in the RA and energy markets. Resources outside of the ISO should not be eligible. Affiliate rules are needed.

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				for its removal.				
SDG&E	Compensation should be capped at CPM rate.	Should exclude overhead and capital costs that provide benefit outside of the year of designation.	Should obligate resources to bid its available RA capacity into any and all RFOs at an incremental cost-based rate of providing RA	The long-term standby option should be removed.	Cost allocation should be in accordance with the cost causation principles that were used for the Flexible Ramping Constraint.	ISO should continue to perform its ten-year forward assessment and publish as the identification of long-term reliability issues revealed by their study results	No provision preventing the ISO from unilaterally changing needs assessment. ISO should be bound by upfront needs determination. Need cure period that is open and transparent.	Authority to backstop for local capacity should not be included in this initiative. Dynamically scheduled or pseudo-tie resources should not be eligible for risk of retirement.
Sierra Club California	N/A	N/A	N/A	N/A	N/A	N/A	N/A	ISO has artificially created a perceived need for new flexible resources by using overly conservative assumptions.
Six Cities	Supports	Supports, but should not include interest costs.	No mechanism in the proposal that ensures resources receiving risk of retirement payments will	N/A	The cost allocation should be based on cost causation. Opposes the current proposal cost allocation	N/A	Supports a cure period as well. Timeline too truncated to provide meaningful input.	ISO should immediately open a stakeholder process to determine five year forward

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			actually be available later for grid reliability. Could require resource owner to convey a secured interest.		scheme.		Supports sunset provision, but should reduce the duration.	needs. ISO should work with LRAs to develop forward procurement targets.
Wellhead	Reasonable costs of unexpected repairs as well as a rate of return must be included.	N/A	N/A	N/A	N/A	Would like the ISO to routinely inform the marketplace of what the ISO believes is needed over the upcoming 5 years.	Should consider time that is more in line with FERC decision time frame. Sunset provision could lead to over reliance on backstop.	ISO should not look to claw back payments from past designations.
WPTF	Does not support proposal as written. Compensation should match costs.	Should allow for 100% retention of market revenues.	Compensation period should match designation period	Long-term standby option adds unnecessary risks and is not a viable solution.	N/A	Planning assumptions should be agreed to, explicit, and conform to the assumptions used in other planning processes.	Supports a cure period. Should sunset when a more optimal procurement mechanism is in place.	Not sure proposal is sufficient to prevent retirement.
Management's Response	Management has created detailed lists of the costs	Management's removal of the 10 percent cost adder	Management considered numerous	Management agrees with the majority	Allocating costs based on more specific cost	Management has extended the process to	Management has extended the process	Management understands the desire to create

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	and cost categories that will and will not be included as part of the minimum revenue guarantee. While some parties disagree with the costs included in the proposal, Management believes the proposal reasonably balances parties' interests. In regards to the risk of managing unanticipated costs within the year, management believes catastrophe can be managed through insurance and fuel hedging strategies. If this is insufficient to	and replacement with allowing the resource owner to retain 10 percent of net market revenues balances many competing interests. This change should encourage market participation, reduce costs borne by load, and allow the resource owner some level of return, while limiting the impact of the mechanism on resource adequacy markets.	options for long term obligations. All options would either negatively impact resource adequacy markets by reducing incentives for bilateral contracting or require the ISO to act as a long-term resource adequacy procurement agency. The proposal is designed to have minimal impact on the resource adequacy market so that bilateral procurement can address retaining the resource for	of the stakeholders that the long-term standby option creates risks and complexity that are not justified by the limited benefits it provides.	causation drivers is not feasible at this time because there is no multi-year ahead framework for assessing cost responsibility.	include several opportunities, both before and after the assessment of resources at risk of retirement, for stakeholder input, but does not recommend committing to the CPUC planning assumptions. The ISO must consider planning assumptions from numerous LRAs (not just the CPUC). Additionally, there may be instances where assumptions other than those provided by the LRA	and will allow stakeholders an opportunity to cure the need for using backstop procurement. Management has included a sunset provision in the proposal. The sunset provision is designed to encourage continued work to resolve the remaining overarching issues while not setting a hard date that would necessitate revisiting this matter multiple times.	forward procurement obligations. However, doing so will take time and this mechanism solves an immediate need.

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	address unexpected costs, then the resource may file at FERC to request additional compensation. While some parties believe that the $2 million dollar allowance for plant investment is incorrect, FERC has found this amount to be just and reasonable in other ISOs.		future years.			are prudent when assessing the operational needs of the ISO. Additionally, many parties have requested additional transparency regarding needs and the needs assessment. Therefore Management will include a forward looking needs assessment in the spring of next year. Lastly, management will work with all LRAs in the ISO to establish reasonable assumptions		

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						upon which the determination of needs is made		