| ***NUM*** | ***Company*** | ***Related Tariff Section*** | ***Date of Comments*** | ***Comments*** |
| --- | --- | --- | --- | --- |
|  | *PGE* |  | *October 27, 2010* | **1) CAISO Authority to Procure CPM Capacity that is needed for Reliability but is at Risk of Retirement**  PG&E strongly opposes giving the CAISO the authority to procure CPM capacity that is needed for reliability but is at risk of retirement; all references to this authority should be deleted from the tariff.[[1]](#footnote-1) |
|  | *CDWR SWP* | *30.5.2.7* | *October 27, 2010* | It should be made clear that the RUC availability bid is not mandatory for use-limited resources. Therefore, the following highlighted insertions are suggested in the tariff language.  Scheduling Coordinators may submit RUC Availability Bids for specific Generating Units in the DAM; however, Scheduling Coordinators for Resource Adequacy Capacity or CPM Capacity must submit RUC Availability Bids for that capacity (excluding use limited resources) to the extent… |
|  | *PGE* | *43* | *October 27, 2010* | **Section 43**  PG&E recommends replacing the phrase “LSE’s Demand and Reserve Margin requirements” with “Resource Adequacy requirements.” This will allow the language in Section 43 to more closely correspond to the language in Section 40.[[2]](#footnote-2) |
|  | *PGE* | *43 (d)* | *October 27, 2010* | **Section 43 (d)**  Section 43.9 (d) indicates that RA credit will be given to the LSE for CPM capacity purchased by the CAISO from a resource that is at risk of retirement. PG&E recommends that the following changes be made to the section:  *Credit towards the LSE’s ~~Demand and Reserve Margin~~* ***Resource Adequacy*** *requirements determined under Section 40 in an amount equal to the LSE’s pro rata share* ***based on load*** *of the CPM Capacity designated under Section 43.2.6.*  PG&E is unclear as to the definition of the term “pro rata.” It is recommended that the pro rate credit be based on load; this should be specified in the tariff. |
|  | *SCE* | *43.1* | *October 27, 2010* | **Section 43.1**: Clarification  43.1: Interim Capacity Procurement Mechanism  The ICPM as well as changes made to other Sections to implement the ICPM shall expire at midnight on the last day of the twenty-fourth month following the effective date of this Section and shall be replaced with the CPM, except that the provisions concerning compensation, cost allocation and Settlement shall remain in effect until such time as ICPM resources have been finally compensated for their services rendered under the ICPM prior to the termination of the ICPM, and the CAISO has finally allocated and recovered the costs associated with such ICPM compensation.   1. Will the CAISO please clarify if a resource with an ICPM designation that extends beyond March 31, 2011 will have its compensation remain at $41/kw-yr thru the duration of its designation period or will the compensation be prorated to reflect the updated compensation of $55/kw-yr beginning April 1, 2011? 2. Similarly, will the CAISO please clarify for a resource with an ICPM designation that extends beyond March 31, 2011 that enters a planned maintenance outage after April 1, 2011, will the modifications regarding prorating compensation to reflect unavailability due to planned maintenance be applicable? |
|  | *Six Cities* | *43.2* | *October 28, 2010* | Draft Section 43.2(6) refers to capacity at risk of retirement within six months that will be needed for reliability within two years. However, Draft Section 43.2.6 refers to a resource that is at risk of retirement during the current RA Compliance Year but will be needed for reliability during the subsequent RA Compliance Year. Without waiving objections to designation of CPM capacity for resources at risk of retirement, the Six Cities suggest that the draft tariff language be clarified with respect to the time period considered for the evaluation of reliability needs by conforming Draft Section 43.2(6) to the language in Draft Section 43.2.6. |
|  | *Six Cities* | *43.2.6* | *October 28, 2010* | The final paragraph of Draft Section 43.2.6 provides that prior to issuing a CPM designation for a resource at risk of retirement, the ISO will prepare a report explaining the need for the designation and allow no less than 30 days for stakeholders to review and comment on the report and for an LSE to procure Capacity from the resource. Without waiving objections to designation of CPM capacity for resources at risk of retirement, the Six Cities suggest that, in light of the fact that the resource considering retirement must provide 180 days notice to the ISO, a minimum of 60 days should be afforded to stakeholders for comments on the ISO’s report and alternate efforts to procure Capacity from the resource. |
|  | *CDWR SWP* | *43.2.6* | *October 27, 2010* | SWP believes that the CAISO’s use of “and” in the enumeration of criteria intends that each must be met, but suggests adding clarity, with the highlighted phrase below:  The CAISO shall have the authority to designate CPM Capacity to keep a resource in operation that is at risk of retirement during the current RA Compliance Year but will be needed for reliability during the subsequent RA Compliance Year. The CAISO may issue this risk of retirement CPM designation the event that all of the following circumstances apply: |
|  | *SCE* | *43.2(6)* | *October 27, 2010* | **Section 43.2(6):** Suggested edits  Change:  “Capacity at risk of retirement within six months that will be needed for reliability within two years.”  to  “Capacity at risk of retirement within six months that will be needed for reliability ~~within two years~~ by the end of calendar year following current RA Compliance Year.”  Basis:  Depending upon when a resource owner submits a notice of retirement, less than 24 months (i.e. 2 years) may remain before the end-of-the-year after the current RA Compliance Year (i.e. before the end of the “2nd year”). Using the term “within two years” may give the false impression that the ISO’s “study of need” will encompass a period of 2 years starting from either the notification date or announced retirement date, when in-fact the study of need period is limited to Jan 1 – Dec 31 of the year following the current RA Compliance Year. |
|  | *SCE* | *43.2.6(4)* | *October 27, 2010* | **Section 43.2.6(4):** Suggested edits  Change:  “No new generation will be in operation by the start of the subsequent RA Compliance Year that will meet the identified reliability need;”  to  “No new generation ~~will~~ is projected by the CAISO to be in operation by the start of the subsequent RA Compliance Year that will meet the identified reliability need;”  Basis:  Using “projected by the CAISO” provides a basis for decision authority associated with this sentence and eliminates potential questions that may arise if using a generic authoritative “will”. |
|  | *SCE* | *43.2.6(5)* | *October 27, 2010* | **Section 43.2.6(5):** Requested clarification  “The resource owner submits to the CAISO at least 180 days prior to termination of the resource’s PGA the affidavit of an officer of the company, with the supporting financial information and documentation discussed in the BPM for Reliability Requirements, that attests that the resource will not be commercially viable in the current RA Compliance Year and is likely to retire;”  Per ID# CPM-BRQ011 within the BRS[[3]](#footnote-3):  “The resource owner must submit to the ISO a formal declaration of intent to retire ….”.   1. Will the CAISO please clarify if the word “must” is explicitly required within either the Tariff or the Final BRS to in-fact require a resource owner to submit a notification to the CAISO 180 calendar days prior to intended termination of the PGA? That is, if neither the tariff nor the Final BRS contain the word “must” prior to “submit”, i.e. neither contains “must submit”, could such a submittal be considered voluntary? 2. Will CAISO please clarify that a resource’s notice of intent to terminate their PGA is synonymous with a resource’s intent to retire at the same time the PGA is terminated? 3. Will the CAISO please clarify that the term “likely to retire” is synonymous with “intends to retire”, and what, if any, actions may be taken against a resource owner by any stakeholders should a resource owner decide, upon not being deemed needed within the 2nd RA Compliance period, to either cancel its notice of likely retirement or not submit a notice of intent to terminate its PGA with the CPUC or applicable jurisdictional entity?   (D) Will the CAISO also please clarify whether or not, and if so how, the CAISO will notify stakeholders that a resource owner submitted an intent to retire and that the CAISO did not subsequently deem the resource as warranting a CPM for the remainder of the current RA Compliance Year? |
|  | *SCE* | *43.2.6(6)* | *October 27, 2010* | **Section 43.2.6(6):** Requested clarification  “The CAISO reviews the affidavit and supporting financial information and documentation submitted by the resource owner and performs due diligence to assess the resource’s financial circumstances, and which as part of its review **shall consider the results of any analysis performed by the CAISO’s DMM** of the affidavit and supporting financial information and documentation to assess the accuracy of the information submitted, the reasonableness of the representations and conclusions contained in the submission, and the appropriateness of the resource’s conduct and efforts to sell Capacity in the bilateral market;”  Per ID# CPM-BRQ009 within the BRS[[4]](#footnote-4):  “The Department of Market Monitoring **may review** the required financial documentation associated with capacity at risk of retirement.  Per DMM’s comments to the CAISO[[5]](#footnote-5):  “The information above (i.e. financial data included within the notice of intent to retire) **would be subject to review by DMM** from several aspects:   1. Will the CAISO please clarify their understanding whether or not the DMM’s offer is to definitively or only possibly review the financial (and other) data associated with a resource’s notification of intent to retire? 2. Will the CAISO please clarify to what extent the current language within either the BRS or proposed Tariff reflects the level of commitment placed upon the DMM to perform such a review? |
|  | *SCE* | *43.2.6* | *October 27, 2010* | **Section 43.2.6**: Request clarification  The last paragraph includes  “Prior to issuing the CPM designation, the CAISO shall prepare a report that explains the basis and need for the CPM designation. The CAISO shall post the report on the CAISO’s Website and allow an opportunity of no less than 30 days for stakeholders to review and submit comments on the report and for an LSE to procure Capacity from the resource.”  A) SCE notes that the CAISO’s Business Requirements Specification (BRS): Capacity Procurement Mechanism, and Compensation and Bid Mitigation for Exceptional Dispatch (CPM) [Version 1.0; October 21, 2010] includes a process flow diagram (Appendix A) that indicates that a Market Notice will be issued one week prior to the CPM Report being published.  Will the CAISO please clarify/confirm that a Market Notice will be issued at least one week prior to the posting of the CPM report and that language to this effect will remain in the final BRS or be included within the Tariff language.   1. Will the CAISO please clarify if it is be possible for the identified amount of needed capacity to be less than the resource’s full capacity, and if so, will the CPM Report identify only the amount of capacity needed for reliability purposes or will the CPM Report identify the resource’s full capacity as being needed? If the full capacity is not needed, would the CAISO declare a CPM designation for only the amount of capacity that is needed or would the CPM designation be for the resource’s full capacity? 2. Will the CAISO please clarify if the (1) – (7) order of circumstances contained in 43.2.6 represents an anticipated or potentially actual sequence of events/information dissemination.   SCE’s concern:  Based upon discussion during the Aug. 23, 2010 workshop, SCE understood the CAISO to say that they would perform technical assessment studies to determine if a resource at risk of retirement was need in the subsequent RA Compliance Year for reliability purposes (step 3 in 43.2.6) only after the resource owner had submitted a notice of intent to retire to the CAISO (step 5 in 43.2.6). Information from a technical assessments study for the year subsequent to the current RA Compliance Year (i.e. for Year 2) should not be made available until after the resource submits its notice of intent to retire.   1. Will the CAISO please clarify the process a stakeholder should use to question the results of the CAISO’s technical assessment, to obtain information/assumptions used in the CAISO’s technical assessment, and what tariff language can a stakeholder reference to contest a CPM designation for a resource that threatened retirement? |
|  | *CDWR SWP* | *43.7.1* | *October 27, 2010* | The formula for CPM Capacity Payment should recognize that use-limited resources are not required to be available 24 hours/day for all hours of the month. Therefore, the following modified language is suggested so that a CPM designated use limited resource may be appropriately addressed.  The CPM Availability Percentage for Maintenance Outages is equal to the ratio of: (1) the sum of the CPM Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the CAISO, if less than the CPM Capacity MW either (a) across all hours of the month in the case of non-use-limited resources, or (b) across the hours of the month the resource is expected to be available in accordance with its Use Plan in the case of a use-limited resource, shall be substituted for CPM Capacity MW for each hour the resource is not available due to a Maintenance Outage or non-temperature-related ambient de-rates to (2) the product of CPM Capacity MW and the product of the CPM capacity MW and the month’s hours of expected availability, as applicable based on the resources’ use-limited or non-use-limited status. |
|  | *PGE* | *43.7.1 and 43.7.2.2* | *October 27, 2010* | **2) Sections 43.7.1 and 43.7.2.2**  PG&E finds the language below to be confusing and recommends making the following changes:[[6]](#footnote-6)  *The CPM Availability Percentage for Maintenance Outages is equal to the ratio of: (1) the sum of* ***actual******availability capacity*** *~~the CPM Capacity MW~~ for each hour of the month across all hours of the month, ~~where the actual capacity MW available to the CAISO, if less than the CPM Capacity MW, shall be substituted for CPM Capacity MW for each hour the resource is not available due to a~~* ***reflecting*** *Maintenance Outage or non-temperature-related ambient de-rate to (2) the product of CPM Capacity MW and the total hours in the month.* |
|  | *CDWR SWP* | *43.7.2.2* | *October 27, 2010* | The formula for CPM Capacity Payment should recognize that use-limited resources are not required to be available 24 hours/day for all hours of the month. Therefore, the following modified language is suggested so that a CPM designated use limited resource may be appropriately addressed.  For purposes of CPM designations, except for designations for CPM Significant Events, the CPM Availability Factor for Forced Outages shall be calculated as the ratio of: (1) the sum of the CPM Capacity MW either (a) across all hours of the month in the case of non-use-limited resources, or (b) across the hours of the month the resource is expected to be available in accordance with its Use Plan in the case of a use-limited resource, where the actual capacity MW available to the CAISO, if less than the CPM Capacity MW, shall be substituted for CPM Capacity MW for each hour the resource is not available due to a Forced Outage or temperature-related ambient de-rates, to (2) the product of CPM Capacity MW and the month’s hours of expected availability, as applicable based on the resources’ use-limited or non-use-limited status. |
|  | *PGE* | *Appendix F (Schedule 6)* | *October 27, 2010* | PG&E recommends making the following changes to the language below:  *The monthly CPM Capacity Payment shall be calculated by multiplying the monthly shaping factor of 1/12 by the annual CPM Capacity price ~~of $ /kW-year~~ in accordance with Section 43.7.1, unless the Scheduling Coordinator for the CPM Capacity resource has agreed to another price that has been determined in accordance with Section 43.7.2.****The monthly CPM Capacity price of $55/kW will be in effect for the period April 1, 2011 through December 31, 2012. The price will then be updated for the period January 1, 2013 through December 31, 2014 and subsequently updated every two years to be effective on a calendar year basis.***  The timeline for updating the CPM Capacity price is an important element of the CAISO’s Revised Draft Final Proposal[[7]](#footnote-7) and should be specified in the tariff. |
|  | *CPUC* | *General Comments* | *October 29, 2010* | * The CAISO’s proposal goes beyond the conventional understanding of the purpose and function of the backstop, to offer up to a 12-month CPM designation contract for generation units that the CAISO believes are needed for reliability, but may shut down due to insufficient revenues. This conflicts with State and federal law directing that California’s long-term procurement and resource adequacy requirements are established by State laws and policies. The CPUC has established and operated a successful Resource Adequacy (RA) program that has resulted in drastic reductions in CAISO out-of-market procurement. The CPM should be used only for incremental or unanticipated reliability needs that are not fulfilled through the CPUC’s RA procurement process. * e CAISO’s proposed CPM designation for units in danger of shutting down is inconsistent with efficient market design principles, where generating resources deemed unnecessary are allowed to leave the market. * In any event, this proposal is unnecessary because a mechanism to retain and compensate units needed for reliability already exists. The operation and maintenance standards in CPUC General Order 167 apply (with some limited exceptions) to *all* electric generating facilities located in California, inclusive non-utility generation.[[8]](#footnote-8) Operating Standard 24 requires resources to maintain their units in a state of “readiness” unless the CPUC (in consultation with the CAISO) has determined that they are not needed. Operating Standard 24 recognizes that there must be just compensation provided to any resource for the “readiness” requirement. The consultation process called for under Operating Standard 24 allows the CAISO and the CPUC to work together to ensure that needed resources are adequately compensated and not retired prematurely. |
|  | *CPUC* | *General Comments* | *October 29, 2010* | * The proposal also presents a gaming opportunity for a plant seeking to leverage a CPM designation through a threat of retirement of the unit.[[9]](#footnote-9) A generator may be able to predict its importance to the grid based on past history, its location in a Local Area or Subarea, or information from the various planning processes. A generator could then threaten to retire in order to receive a CPM designation at a price higher than the current market for capacity. In the present market, it is clear some generators are currently willing to enter in RA contracts with LSEs below the current $41/kw-yr backstop price, let alone the $55/kw-yr proposed for CPM. The CAISO’s Market Surveillance Committee has acknowledged that a 12-month designation can create an incentive for units to threaten to retire and the “CPM payment can influence RA prices.”[[10]](#footnote-10)   + In addition, many generating resources, particularly older and less efficient ones in Local Areas, are typically part of a fleet of resources owned by affiliated companies. Affiliated companies could assign ownership of an individual resource to a particular entity to support a claim for economic subsidy, regardless of the overall profitability of other resources owned or operated by affiliated entities. |
|  | *CPUC* | *General Comments* | *October 29, 2010* | * It is also not clear that the CAISO can accurately predict what capacity will be needed over the next two years to justify up to a 12-month CPM designation without relying on data from the year’s Local Capacity Technical Analysis (LCR) study, which may not be available at the time the CAISO makes the determination of whether to offer a CPM designation. The LCR study provides the basis for single-year Local RA obligations for the next compliance year. * The proposed process to conduct due diligence to justify up to a 12-month CPM designation cannot support a legitimate determination regarding the financial status of the generator. The substance of the required affidavit and financial documentation, are not clearly defined, including the standards governing the supporting documentation (e.g., Generally Accepted Accounting Principles (GAAP), Financial Accounting Standards Board (FASP) or Sarbanes Oxley). Similarly, no standards are described for determination of whether a resource should be economically subsidized; the lack of a transparent or objective process is in stark contrast to the review processes to test and verify other claims made by generators, such as PMax or deliverability. Moreover, generation unit owners’ calculation of expected market revenues will be based on subjective and speculative assumptions. * CPUC supports not using a higher level of payment for CPM, such as CONE. CPM is for short-term backstop procurement, not to incent investment. The proposed $55/kW-year prices is above prices observed in the current capacity markets and therefore risks raising prices for capacity in the CPUC’s RA program. * The CPM should have a two-year sunset because of numerous pending market design changes. * For the above reasons, the CPUC respectfully requests that the CAISO withdraw sections 43.2.6, 43.3.7, and 43.8.7 of its Draft Tariff Language before submitting to FERC for approval. |
|  | *PGE* | *Grammatical Errors* | *October 27, 2010* | **Section 40.9.7.3 (line 13):** In the second paragraph, there is an extra space between “Availability” and “Standard”.  **Section 43.2.2 (line 10):** There is an extra period after the phrase “Section 43.2.2”.  **Section 43.7.2.2 (line 6):** There is an extra space between “Outages,” and “in.”  **Section 43.9:** There are two subsections entitled “e” (the second subsection should be entitled “f”). The second subsection entitled “e” (line 2) should have an added space between “Section,” and “in.” |

1. See PG&E’s stakeholder comments: <http://www.caiso.com/2821/2821927940df0.pdf> [↑](#footnote-ref-1)
2. Section 43 uses the phrase “LSE’s Demand and Reserve Margin requirements,” to refer to Section 40 (the section that describes the LSE’s Resource Adequacy obligations). This phrase, however, is not found in Section 40. [↑](#footnote-ref-2)
3. [↑](#footnote-ref-3)
4. Business Requirements Specification: Capacity Procurement Mechanism, and Compensation and Bid Mitigation for Exceptional Dispatch (CPM). Version 1.0, October 21, 2010 (pg 11 of 16) [↑](#footnote-ref-4)
5. DMMS’s comments on the CAISO’s Revised Draft Final Proposal on CPM et al. Oct 5, 2010 (pg 5-6) http://www.caiso.com/2827/2827ab1b602a0.pdf [↑](#footnote-ref-5)
6. Please note that the text in bold represents suggested additions to the tariff language. [↑](#footnote-ref-6)
7. See page 36 of Revised Draft Final Proposal: <http://www.caiso.com/2812/281211a4d4cf70.pdf> [↑](#footnote-ref-7)
8. *See* Cal. Pub. Util. Code § 761.3(a); General Order 167, § 2.9 (Definition of “Generating Asset Owner;” and CPUC Decision D.06-06-069 upheld the legality of Operating Standards 22, 23 and 24. [↑](#footnote-ref-8)
9. See also the Opinion on the Capacity Procurement Mechanism and Compensation and Bid Mitigation for Exceptional Dispatch, F. Wolak, J. Bushnell, B. Hobbs, CAISO Market Surveillance Committee (October 18, 2010) p. 4. [↑](#footnote-ref-9)
10. Market Surveillance Committee Opinion, *supra*, (Oct. 18, 2010), pp. 3-4. [↑](#footnote-ref-10)