California ISO

Capacity Procurement Mechanism Risk-of-Retirement Process Enhancements

Revised Straw Proposal

August 8, 2017

Market & Infrastructure Policy

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1. Executive Summary

In the *2017 Stakeholder Initiatives Catalog* process, there was considerable interest from stakeholders in enhancing the California Independent System Operator's ("CAISO") capacity procurement mechanism ("CPM") process for "backstop" procurement of resources that are needed for reliability but are at risk of retirement ("ROR").[1] These retirements may be driven by the failure of a resource to earn sufficient revenues when not procured by a load-serving entity ("LSE") for resource adequacy ("RA") capacity. The process for the CAISO to procure such ROR resources through its CPM backstop procurement authority is contained in section 43A.2.6 of the CAISO tariff.[2]

In 2016, the CAISO committed to conduct a stakeholder initiative in 2017 to explore potential enhancements to its existing ROR backstop procurement process. Under the backstop process, the CAISO may designate a CPM to a resource that is at ROR during the current RA compliance year if that resource will be needed for reliability by the end of the next RA compliance year. The CAISO is interested in exploring clarifications and modifications that will enhance this process and promote orderly and timely CPM decisions.

This revised straw proposal describes the plan for stakeholder engagement, scope and background of the initiative, stakeholder written comments received and CAISO responses, changes from the straw proposal, and revised straw proposal. The key elements of the revised straw proposal are provided below.

- Any resource can apply for a CPM ROR designation, including a resource that is currently a RA resource.
- There will be two windows each year for resources to submit an application for a CPM ROR designation: in April and November.
- If a resource at ROR is found to be uniquely needed for reliability, the CAISO will post a report no sooner than 30 days after the close of the window and stakeholders will have seven days to comment on the report's findings.
- LSEs will have an opportunity to procure a uniquely needed ROR resource before the CAISO procures the resource through its CPM mechanism. If the CAISO finds that a ROR resource that is not RA is needed for reliability, LSEs will have until 30 days following the end of the stakeholder comment period to procure the resource. Thereafter, the resource can be procured under the CAISO's CPM ROR authority.
- There are general requirements that apply to both application windows. However, there are additional requirements for applications submitted in the April window wherein an applicant must demonstrate that its resource is unlikely to receive an annual RA contract for the upcoming RA compliance year.
- Three new provisions will be added to the tariff to state that a resource that has applied for but is not awarded a CPM ROR designation need not retire if the resource: 1) is subsequently sold to a non-affiliated entity; 2) receives a RA contract; or 3) is procured

[1] The CAISO's webpage for the stakeholder initiatives catalog process is available at 2017 Catalog.
[2] Refer to section 43A, applicable after November 1, 2016, available at CAISO CPM Tariff.

by the CAISO through CPM, Reliability Must-Run ("RMR"), or any other applicable capacity procurement mechanism.

- The applicant must attest that the resource has offered its capacity into applicable competitive procurement solicitation processes for the RA year.
- If a ROR resource is needed for reliability, the CAISO will be able to communicate in its report that the resource is eligible for a CPM ROR designation. However, any CPM designation is conditional, i.e. if the resource is awarded a contract in a RA competitive solicitation, request for offers, or similar procurement mechanism conducted by LSEs for the applicable RA year the resource owner must take that contract rather than the CPM ROR designation.
- The CAISO will add selection criteria to address situations where there may be multiple resources simultaneously seeking a ROR designation, but the need is such that not all of the resources can receive a ROR CPM.
- The CAISO will modify the tariff to clarify that the CPM designation will be paid, depending on the type of ROR designation, either based on a "balance of the year" concept or a 12-month term, and payment for each month of the designation will be based on a calculation of 1/12 per month of the annual compensation amount.
- A resource that has been awarded a CPM ROR must make a filing at the Federal Energy Regulatory Commission ("FERC") to justify its costs, and FERC will decide the resource's price and level of compensation.
- The cost of a CPM ROR designation will be allocated to all Scheduling Coordinators (SCs") for LSEs that serve load in the TAC area(s) where the resource CPM designation was made.
- Capacity procured through a CPM ROR designation can be used by LSEs as a credit towards fulfilling their RA obligations.
- The decision by a resource owner to accept or decline a designation will continue to be voluntary.

Draft tariff language is provided in Appendix 1 for the main CPM ROR tariff sections that are affected by this revised straw proposal.

2. Plan for Stakeholder Engagement

The schedule for this stakeholder initiative is presented in Table 1 below. The CAISO plans to present its proposal to the CAISO Board of Governors for their approval on November 1-2, 2017.

Table 1 – Schedule for this Stakeholder Initiative

Step	Date	Milestone
Kick-off	April 26, 2017	Issue market notice announcing this new initiative
Issue Paper	May 10	Post issue paper
	May 18	Hold stakeholder working group meeting
	May 25	Hold stakeholder working group meeting
	Jun 6	Stakeholder written comments due
Straw	Jun 20	Post straw proposal

Step	Date	Milestone
Proposal	Jun 27	Hold stakeholder call
	Jul 12	Stakeholder comments due
Revised Straw Proposal	Aug 8	Post revised straw proposal
	Aug 15	Hold stakeholder call
	Aug 28	Stakeholder comments due
Draft Final Proposal	Sep 11	Post draft final proposal
	Sep 18	Hold stakeholder call
	Oct 3	Stakeholder comments due
Final Proposal	Nov 1-2	Present proposal to CAISO Board for approval

3. Scope of Initiative and Background

The CAISO's current ROR CPM provisions are limited to resources that did not receive an RA contract for the upcoming RA year. Some resource owners have expressed a concern that this process is problematic because resource owners do not know whether their resource will have a RA contract until October 31 of the current year. The initiative will look at process enhancements that would provide for the ROR analysis to take place prior to the end of the RA contracting period. In addition, there is a need for new provisions to address issues related to multiple resources requesting a ROR backstop designation for the same RA period.

Under the current tariff, the CAISO has the authority to designate CPM capacity to keep a resource in operation that is at ROR during the current RA compliance year and will be needed for reliability by the end of the calendar year following the current RA compliance year. During the current RA compliance year, the CAISO cannot procure a resource under the CPM ROR provisions if the resource is already contracted as RA capacity or listed as RA capacity in any LSE's year-ahead RA plan.[3] This is based on the fundamental CPM principle that RA capacity cannot be CPM capacity at the same time. There has been a general belief that resources cannot apply for a CPM ROR designation while they are RA, but a close reading of the tariff shows there is no such express requirement. As discussed *infra,* the CAISO intends to clarify this in the tariff filing resulting from this initiative to eliminate any confusion.

A more detailed discussion of the scope of this initiative, and background information on the CAISO's current CPM tariff authority was provided in the June 20, 217 Straw Proposal and will not be reproduced here. See [June 20, 2017 Straw Proposal].

4. Stakeholder Comments and CAISO Responses

This section provides a summary of the written stakeholder comments that were received on the June 20, 2017 straw proposal, as well as the CAISO's responses to those comments. The full version of the written stakeholder comments that were received is provided in Appendix 2.

[3] Tariff section 43A.2.6 (1).

Who Can Apply

Most stakeholders support allowing any resource, under a RA contract or not, to apply for a designation.

CAISO Response – The CAISO continues to propose that any resource, whether currently RA or not RA, can apply for a CPM ROR designation.

Attestation

LSEs believe that the attestation needs to be strong to prevent abuse of the application process. Resource owners believe that attestations of any kind are of questionable value and the CAISO does not need to expand its current requirements. Some LSEs would like the current attestation requirements strengthened, while other LSEs believe that the current attestation and conditions are sufficient.

CAISO Response – The CAISO has retained the attestation requirements that were in the straw proposal. The CAISO believes that those requirements are an important feature of the application process and should not be significantly altered.

Timing and Windows

Some stakeholders support the proposed two application windows, April and November, while other stakeholders support only the November application window. The stakeholders that support only the November window do not want the CAISO to report any designations prior to November 1 as they believe that reporting any information from the April window will unacceptably “front-run” the RA procurement process.

CAISO Response – The CAISO continues to propose the same two application windows as in the straw proposal. The CAISO has added additional conditions to the application and designation criteria that it believes will mitigate stakeholder concerns expressed about the April window. The CAISO has added the following two conditions to the April window application: (1) the resource must demonstrate that its costs are above the current CPM soft-offer cap price (this condition applies to a resource that submits an application in April seeking a CPM ROR designation for the subsequent year); and (2) the CAISO must find that the resource is uniquely situated such that it is the only resource that can meet the identified reliability need.

Documentation for April Window to Show Resource is Unlikely to receive RA Contract

Resource owners generally think that the four examples that were in the straw proposal for what could be submitted for the April window as documentation to prove that a resource is not likely to be procured as RA are onerous and unworkable, and several LSEs agree. SCE suggests that the four types of documentation are unnecessary if the CAISO prices the CPM payment at cost of service. PG&E suggests that for the April window the supplier should simply have to demonstrate that its cost are above the soft-offer cap and no other demonstration.

CAISO Response – The CAISO has removed the four examples of what could be submitted for the April window as documentation to prove that a resource is not likely to be procured as RA and replaced it with a requirement that the resource must demonstrate that its costs are above the current CPM soft-offer cap price. The CAISO continues to support that the CPM ROR payment be based on cost of service.

Maintenance Costs

Some stakeholders do not support the CAISO including major maintenance costs in the calculation of costs, as such costs are difficult to quantify and account for, and in their view there is no guarantee the LSEs will receive appropriate benefits in a one-year CPM designation.

CAISO Response – The CAISO has removed the major maintenance costs example from the four examples of what could be submitted for the April application window as documentation to prove that a resource is not likely to be procured as RA. Maintenance costs can be included in the price pricing formula for how costs are to be determined using the Annual Fixed Revenue Requirement for a RMR Unit as set forth in Schedule F to the pro forma RMR agreement in Appendix G of the CAISO tariff.

Reliability Studies

Stakeholders have requested more and clearer information about how the CAISO will conduct its reliability studies for the two application windows.

CAISO Response – The CAISO has broken out the discussion of the three types of CPM ROR designation (Type 1, Type 2 and Type 3) into separate subsections of the proposal and provided a description of the reliability study that will be performed for each type.

Price Paid for Designation

LSEs believe the resource owner should file for a cost-based price and compensation that FERC approves. Resource owners believe the price should be no less than the soft offer cap price.

CAISO Response – The CAISO continues to propose that the resource owner file for a cost-based price and compensation, which will be determined by FERC. The CAISO believes that this methodology is appropriate for a resource that is at ROR and is being provided with a bridge to a future RA year when it is needed for reliability.

Term and Monthly Payment Amount

Almost all stakeholders support paying a “balance of year” term and monthly payments based on 1/12 of annual compensation; however, one stakeholder suggests seasonal shaping of the payment and several stakeholders suggest “back pay” for a delay in completing the designation.

CAISO Response – The CAISO has modified its proposal to provide that Type 1 CPM ROR designations will have a term of the balance of the RA compliance year in which they occur and Type 2 and Type 3 CPM ROR designations will have a term of 12 months. The CAISO does not believe that shaping payments over the course of the year is appropriate and paying 1/12 each month of the annual compensation amount is a reasonable compensation methodology. The issue of potential “back pay” is addressed by having a term of 12-months for Type 2 and 3 designations.

Selection Criteria where Competing Resources

All stakeholders support the proposal for selection criteria when there are competing resources, except for SDG&E who suggests a random selection method.

CAISO Response – The CAISO continues to propose the same selection criteria that was in the straw proposal, which is based on adapting selection criteria that is already in the CPM tariff but for a different type of CPM procurement. The existing selection criteria in the CPM tariff will work well as a selection criteria for CPM ROR when there are competing resources. The CAISO believes that its proposed selection criteria is superior to a random selection method.

Decision to Accept

Most stakeholders support continuing to have a CPM designation be voluntary, meaning a resource owner can accept or decline a CPM ROR designation.

CAISO Response – The CAISO continues to propose that a resource owner can accept or decline a CPM ROR designation, which is consistent with the treatment of other types of CPM procurement which are voluntary.

Resource Retention and Retirement Options

Some stakeholders have stated that they must have more information on the interplay of resource retention options.

CAISO Response – The CAISO has included in the Business Practice Manual for Generator Management the various types of retention and retirement options and how they are treated with respect to agreements and metering.

5. Changes from Straw Proposal

The CAISO has made the following changes from the straw proposal to create the revised straw proposal:

1. Removed the requirement that a resource owner must submit a CPM ROR application at least 90 days prior to terminating the resource's Participating Generator Agreement because a deadline is not needed now that the CAISO is providing two windows each year in which a CPM ROR application can be submitted.
2. Clarified that capacity under an RA contract, RMR contract or other type of CPM procurement may not be designated as CPM ROR and receive CPM payments at the same time.
3. Clarified that a resource that is "partial RA," i.e., has any part of its overall capacity contracted for RA, is not eligible for that month to receive a CPM ROR payment.
4. Created the terms Type 1 CPM ROR Designation, Type 2 CPM ROR Designation, and Type 3 CPM ROR Designation to more clearly convey the kinds of designations that are possible under the CPM ROR tariff.
5. Clarified what is meant by a resource being needed for reliability and thus a candidate for a CPM ROR designation: which is that the grid cannot be reliably operated without that specific resource in service.

6. Revised the proposal to provide that for Type 2 CPM ROR Designations, LSEs will have at least six months to procure the resource that has been conditionally designated by the CAISO.
7. Clarified that the resource owner must file at FERC an offer price that is no higher than the offer price that the resource submitted in its CPM ROR application and no other price will be valid.
8. Clarified that the information submitted in the CPM ROR application will be treated as confidential by the CAISO.
9. Clarified the specific requirements that a resource must meet for Type 1 CPM ROR Designation, Type 2 CPM ROR Designation, and Type 3 CPM ROR Designation.
10. Clarified what is meant by the application requirement that a resource must have offered all Eligible Capacity from the resource into all competitive solicitation processes ("CSPs") for the current RA year: which means the year-ahead, month-ahead and intra-month CSPs.
11. For the April window, removed the four examples of what could be submitted as documentation to demonstrate that a resource is not likely to be procured as RA.
12. For the April window, added a requirement that to be eligible to receive a Type 2 CPM ROR Designation, the applicant must demonstrate that its costs are above the current CPM soft-offer cap price.
13. For the April window, added a requirement that for Type 2 CPM ROR Designations for the resource to be designated the CAISO must find that the resource is uniquely situated such that it is the only resource that can meet the identified reliability need. In other words, multiple resources cannot meet the same need.
14. Clarified the assumptions the CAISO will make when it performs CPM ROR technical assessments to determine if a resource will be needed for reliability purposes.
15. Clarified that the offer price that will be used with regard to the selection criteria in Section 43A.4.2.2 will be the offer price that is provided by the resource in its CPM ROR application to the CAISO.
16. Modified the proposal to provide that Type 1 CPM ROR Designations will have a term for the balance of the RA compliance year in which they occur and Type 2 and Type 3 CPM ROR Designations will have a term of 12 months.
17. Clarified and provided additional information on the pricing formula for how costs are to be determined using the Annual Fixed Revenue Requirement for a RMR Unit as set forth in Schedule F to the pro forma RMR agreement in Appendix G of the CAISO tariff.
18. Clarified how pricing and payment will work for a designation, given that it will take a period of time for FERC to approve the resource's CPM ROR price.
19. Clarified how cost allocation will work for CPM ROR procurement (which is existing tariff authority/language).
20. Clarified how RA credits will work for CPM ROR procurement (which is existing tariff authority/language).

6. Revised Straw Proposal

The CAISO's revised straw proposal is described below.

1. Who Can Apply

The CAISO will clarify the tariff to confirm that any resource, including a resource that is currently RA, can apply for a CPM ROR designation. Thus, both RA and non-RA resources can apply consistent with the timelines proposed. Capacity under an RA contract, RMR contract or another kind of CPM procurement may not be designated as ROR CPM and receive CPM payments at the same time; however, the CAISO will study resources, and, if applicable, inform them of their reliability need and CPM ROR eligibility. A resource that is "partial RA," i.e., has part of its overall capacity contracted for RA, is not eligible for that month to receive a CPM ROR payment. In other words, if a resource has even one MW contracted for RA, the resource is considered a RA resource and is ineligible to receive a CPM ROR designation for that month.

2. Timing of Requests for Designation - Windows

The CAISO will change the current tariff to provide two application "windows" each year when resources can apply for a CPM ROR designation. The application windows will be open each year during the first-half of the months of April and November.

In the first window in April, the CAISO will consider two types of CPM ROR designation requests: first, a request by a non RA resource for a CPM ROR designation for the current RA compliance year (referred to as a "**Type 1 CPM ROR Designation"**); and second, a request by a RA resource or a non-RA resource for a CPM ROR designation for the calendar year following the current RA compliance year (referred to as a "**Type 2 CPM ROR Designation"**).

In the second window in November, the CAISO will consider requests for a CPM ROR designation for the upcoming RA Compliance Year, *i.e.,* the RA compliance year for which the recently submitted annual RA Plans apply (referred to as a "**Type 3 CPM ROR Designation"**).

3. Process for Study and Procurement

For each window, the CAISO will retain the following steps from the current tariff:

1. Perform a reliability study, and, if there are any resources eligible for CPM ROR, will post a report no less than 30 days after the closing of the window indicating the reliability need for the resource and proposing a CPM designation. The report will describe the resources that the CAISO has determined are needed to reliably operate the grid and may receive a CPM ROR designation, i.e., the grid cannot be reliably operated without that specific resource in service, and the time period for which a CPM ROR designation is needed.
2. After the posting of the report the CAISO must allow no less than seven days for stakeholders to review and submit comments on the report and provide an opportunity for an LSE to procure capacity from that resource before the CAISO could procure that resource under CPM ROR. For Type 1 and Type 3 CPM ROR designations, LSEs will have at least 30 days to procure the resource. For Type 2 CPM ROR designations, LSEs will have at least six months to procure the resource.

3. If no LSE procures the specific resource that was identified by the CAISO as needed for reliability, the CAISO may then procure the resource as CPM ROR capacity.

4. Application Requirements, Timelines and Reliability Studies

The CAISO proposes two sets of application requirements. First, there are general application requirements applicable to all requests for a CPM ROR designation (for both the April and November windows). Second, there are additional requirements applicable to a resource in the April window that is seeking a Type 2 CPM ROR designation. The information submitted in the application will be treated as confidential by the CAISO. The application requirements for each window are described below.

April Window (Type 1 and Type 2 CPM ROR Designations)

The tariff language will require the applicant to submit an affidavit from an executive officer of the company that represents the resource attesting that the resource will be uneconomic to remain in service without a CPM ROR designation and the decision to retire is definite unless CPM or other CAISO procurement occurs, the resource is sold to a non-affiliated entity, or the resource receives an annual RA contract. The tariff language also will continue to state that the application must provide an offer price that will be binding. The resource owner must file at FERC an offer price that is no higher than the price submitted in its ROR application. No other price will be considered valid.

To be eligible to receive a Type 1 CPM ROR Designation, the CAISO must find that the SC for the resource offered all Eligible Capacity from the resource into all CSPs for the current RA year (which means the year-ahead, month-ahead and intra-month CSPs).

To be eligible to receive a Type 2 CPM ROR Designation, the applicant must demonstrate that its resource's costs are above the current CPM soft-offer cap price, which is currently $6.31/kW-month ($75.68/kW-year) and can escalate over time. Prior to issuing a Type 2 CPM ROR Designation to the resource, the CAISO must find that the resource participated in all applicable RA competitive solicitations, requests for offers, or similar procurement mechanisms conducted by LSEs for such RA compliance year and was not offered an annual RA contract consistent with its offer.

The CAISO technical study will determine whether the resource will be needed for reliability purposes, *e.g.,* locational or operational characteristics, by the end of the calendar year following the compliance year in which the resource would receive a CPM ROR designation, and that no new generation is projected to be in operation during that period that could meet the identified reliability need.

For Type 2 CPM ROR Designations in the April window, for the resource to be designated as CPM ROR capacity the CAISO must find that the resource that has applied for a CPM ROR is uniquely situated such that it is the only resource that can meet the identified reliability need. In other words, multiple resources cannot meet the same need.

If a resource at ROR is needed for reliability, the CAISO would be able to communicate in its study report that the resource is eligible for a CPM designation, but that any CPM designation is conditional, and the resource, if selected in a RA competitive solicitation, request for offers, or similar procurement mechanism conducted by an LSE must take that contract rather than the CPM designation if such contract is offered to the resource.

An example is provided below of the timelines for the April application window if it were in place for 2017. The dates shown are for illustrative purposes only. The CAISO will not "hard wire" specific dates in the tariff, but instead will use language such as "within" or "must allow at least."

There are two possible designation scenarios for the April application window. Example scenarios and their associated timelines are described below. The dates shown are for illustrative purposes only, and assume that the CAISO is able to complete the study report 30 days after the close of the application window (the tariff language provides that the CAISO "will issue a report no sooner than 30 days after the close of the applicable window").

<u>Type 1 CPM ROR Designation: Designation Scenario where Resource is not RA in 2017 and requests a 2017 Balance-of-Year CPM ROR Designation</u> – Resource requests a CPM ROR designation for 2017, the CAISO does a study and finds the resource to be needed for reliability in 2018, in which case the CAISO could designate the resource for the remaining months of 2017 as a bridge during 2017 to get to 2018.

- April 1-15: Window open for resource owner to apply
- May 15: CAISO issues report explaining basis and need for CPM designation and intent to designate
- May 22: Stakeholder comments on report due
- June 22: Deadline for LSEs to procure in lieu of CAISO CPM ROR procurement
- June 23: If not procured by LSEs, CAISO can designate unit as CPM ROR capacity

The CAISO will perform a technical assessment to determine if the resource will be needed for reliability purposes, typically for its locational or operational characteristics. To determine whether the resource is eligible for a CPM ROR designation, the CAISO will undertake a study to determine whether the resource is needed by the end of calendar year 2018. Because there are no 2018 year ahead RA showings available at this time, in the study process the CAISO will assume that all resources not expected to retire are available.

<u>Type 2 CPM ROR Designation: Conditional Designation Scenario where a Resource, RA or Non-RA in 2017, requests a 2018 CPM ROR Designation</u> – Resource requests a CPM ROR designation for 2018, the CAISO does a study and finds the resource to be needed in 2019, in which case the CAISO will indicate its intent to conditionally designate the resource for 2018 as a bridge during 2018 to get to 2019, and can establish an effective date for CPM ROR procurement of January 1, 2018 (after the CAISO checks to see if any LSE procures the resource in the year-ahead showings for 2018).

- April 1-15: Window open for resource owner to apply

- May 15: CAISO issues report explaining basis and need for CPM designation and intent to designate (CAISO will report a conditional designation)
- June 1: Stakeholder comments on report due
- December 15: Deadline for LSEs to procure in lieu of CAISO
- December 18: CAISO can designate resource as CPM ROR capacity
- January 1: Effective date of Type 2 CPM ROR designation

The CAISO will perform a technical assessments to determine if the resource will be needed for reliability purposes, typically for its locational or operational characteristics. To determine whether the resource is eligible for a CPM ROR designation, the CAISO will undertake a study to determine whether the resource is needed by the end of calendar year 2019. Because there are no 2019 year ahead RA showings available at this time, in the study process the CAISO will assume that all resources not expected to retire will be considered available.

November Window (Type 3 CPM ROR Designations)

The tariff language will require the applicant to submit an affidavit from an executive officer of the company that represents the resource to attest that its resource will be uneconomic to remain in service without a designation and the decision to retire is definite unless CPM or other CAISO procurement occurs, the resource is sold to a non-affiliated entity, or the resource receives an annual RA contract. The tariff language also will continue to state that the application must provide an offer price that will be binding. The resource owner must file at FERC an offer price that is no higher than the price it submitted in its ROR application. No other price will be valid.

The resource must not be RA for 2018 and must be needed before the end of calendar year 2019.

An example is provided below of the timeline for the November window if it were in place for 2017. The dates shown are for illustrative purposes only, and assume that the CAISO is able to complete the study report 30 days after the close of the application window (the tariff language provides that the CAISO "will issue a report no sooner than 30 days after the close of the applicable window"). The CAISO will not "hard wire" specific dates in the tariff, but instead will use language such as "within" or "must allow at least."

- Nov 1-15: Window open for resource to apply
- Dec 15: CAISO issues report
- Dec 22: Stakeholder comments on report due
- Jan 22: Deadline for LSEs to procure in lieu of ISO
- Jan 23: CAISO may designate resource via CPM ROR

The CAISO performs technical assessments to determine if the resource will be needed for reliability purposes, typically for its locational or operational characteristics. The study done for will be done after the CAISO knows through the year-ahead RA showings which resources are RA for the upcoming RA year. A resource in this window will be studied only if it is not RA for the upcoming year. Under the CPM ROR tariff provisions, the CAISO will undertake a study to determine if the resource is needed for reliability by the end of calendar year 2019. If the CAISO finds the resource to be needed by the end of calendar year 2019, then it may issue a CPM ROR designation to the resource for 2018. Because there are no 2019 year ahead RA showings available at this time, in the study process the CAISO will assume that all resources not expected to retire will be considered available.

5. Selection Criteria when there are Competing Resources

The CAISO will revise the tariff to refer to selection criteria specified in sections 43A.4.2.2 and 43A.4.2.3 in the event there are multiple resources seeking a CPM ROR designation at the same time, but the "need" is such that the CAISO cannot designate all of the resources. Section 43A.4.2.3 will serve as a tiebreaker. The language from sections 43A.4.2.2 and 43A.4.2.3 is provided below. The offer price that will be used with regard to Section 43A.4.2.2 will be the offer price that is provided by the resource in its CPM ROR application to the CAISO.

> *43A.4.2.2 Minimizing the Overall Cost of Meeting the Reliability Need*
>
> *Once the CAISO has identified the pool of resources that can meet the designation criteria, the CAISO shall then designate Eligible Capacity from that pool of resources in order to minimize the overall cost of meeting the designation criteria. Aside from considering the respective offer prices from the Eligible Capacity, as part of this cost minimization the CAISO also may consider: the quantity of a resource's available Eligible Capacity, based on a resource's PMin, relative to the remaining amount of capacity needed; and the quantity of a resource's available Eligible Capacity, based on outages and replacement or substitute daily RA Capacity.*
>
> *For a potential Exceptional Dispatch CPM, the CAISO also shall consider the overall costs to the CAISO of issuing the Exceptional Dispatch to RA Capacity rather than to Eligible Capacity. If the CAISO determines it would minimize overall costs to issue the Exceptional Dispatch to RA Capacity, then the CAISO shall issue the Exceptional Dispatch to RA Capacity and not designate Eligible Capacity as CPM Capacity to meet the designation criteria.*
>
> *If capacity would receive a CPM designation based on the cost minimization criteria but the resource from which the capacity would be provided faces use limitations such that the capacity, in the CAISO's reasonable discretion, poses the risk of being unavailable to fully meet the reliability need creating the CPM event, then the CAISO may, at its reasonable discretion and giving due regard for meeting cost minimization considerations, not grant that capacity a CPM designation and instead grant the designation to the next-best capacity at*

meeting the CAISO cost minimization process defined in this Section 43A.4.2.2. In exercising this discretion, the CAISO shall not unduly discriminate against resources with use limitations.

Additionally, if capacity would receive a CPM designation based on the cost minimization criteria but the resource from which the capacity would be provided is already going to be RA Capacity at some point during the CPM designation period and, in the CAISO's reasonable discretion, poses the risk of the capacity being unavailable fully to meet the reliability need creating the need for a CPM designation, then the CAISO may, at its reasonable discretion and giving due regard for meeting cost minimization considerations, not grant that capacity a CPM designation and instead grant the designation to the next-best capacity at meeting the CAISO cost minimization process defined in this Section 43A.4.2.2.

43A.4.2.3 Additional Permissible Considerations

In either the Annual CSP or Monthly CSP, if two or more offers would meet the cost minimization criteria identified in Section 43A.4.2.2 equally, then the CAISO shall grant the designation in its discretion based on criteria A and B, below. In the Intra-monthly CSP, if two or more offers are within 10% of each other in terms of total cost to designate the capacity, then the CAISO shall grant the designation in its discretion based on criteria A and B, below.

Criterion A – Relative effectiveness of the resources in meeting local and/or zonal constraints or other ISO system needs.

Criterion B – Relative operating characteristics of the resources, including dispatchability, ramp rate, and load-following capability.

6. Term and Monthly Payment Amount

The CAISO will modify the tariff to state that Type 1 CPM ROR Designations will have a term for the balance of the RA Compliance Year in which they occur.[4] Type 2 and Type 3 CPM ROR Designations will have a term of 12 months. The term of any designation may not extend into a subsequent RA Compliance Year.

The payment for each month of designation will be based on the existing calculation of 1/12 per month of the annual compensation amount.

Consistent with the existing tariff, CPM resources do not receive CPM payments for capacity that is shown as RA, RMR or other kind of CPM procurement in a given month.

[4] For example, if following the evaluation of applications in the April window, the ISO designates a non-RA resource as ROR CPM on June 30, the designation would be effective for the six remaining months of the year.

7. Cost Justification

To be paid for an awarded CPM ROR offered by the CAISO, the resource owner must make a filing at FERC to justify its costs, and FERC will decide the level of compensation. The pricing formula costs are to be determined using the Annual Fixed Revenue Requirement for a RMR Unit as set forth in Schedule F to the pro forma RMR agreement in Appendix G of the CAISO tariff.[5] This is the existing methodology for establishing a CPM price above the soft offer cap.

Prior to determination by FERC of the resource's CPM ROR price, the CAISO will use the CPM soft-offer cap price. The price will be subject to refund or surcharge for periods in which the soft offer cap price was applied once FERC determines the applicable cost-based price. After FERC determines the cost-based price, the CAISO will a use the FERC-determined price.

The CPM tariff's more general soft offer cap price will not be available to resources seeking CPM ROR designations. The intent is for CPM ROR payments to be cost-based. ROR CPM is essentially a one-year or balance-of-year "bridge" to an RA compliance year when the resource will be needed.

8. Decision to Accept

The CAISO does not propose to change the current CPM tariff provision, which allows a resource to accept or decline a CPM ROR designation*, i.e*. CPM is voluntary.

9. Cost Allocation

Several stakeholders asked in their written comments about the cost allocation for CPM ROR procurement. The cost allocation for CPM ROR procurement is already included in the current CAISO tariff, in section 43A.8.7, which is shown below, and the CAISO is not proposing any changes to that section of the tariff.

> 43A.8.7 Allocation of CPM Costs For Resources at Risk of Retirement
>
> If the CAISO makes any CPM designations under Section 43A.2.6 for resources at risk of retirement needed for reliability, the CAISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs that serve Load in the TAC Area(s) in which the need for the CPM designation arose based on the percentage of actual Load of each LSE represented by the Scheduling Coordinator in the TAC Area(s) to total Load in the TAC Area(s) as recorded in the CAISO Settlement system for the actual days during any Settlement month period over which the designation has occurred.

10. RA Credits

Several stakeholders asked in their written comments whether RA credits can be obtained for CPM ROR procurement. A provision for credits for CPM ROR procurement is already included in the current CAISO tariff, in section 43A.9(d), which is shown below, and the CAISO is not proposing any changes to that section of the tariff.

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[5] A link to the CAISO's tariff is: http://www.caiso.com/rules/Pages/Regulatory/Default.aspx

43A.9 Crediting Of CPM Capacity

The CAISO shall credit CPM designations to the resource adequacy obligations of Scheduling Coordinators for Load Serving Entities as follows:

(d) To the extent the cost of CPM designation under Section 43A.2.6 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.8.7, and the designation is for greater than one month under Section 43A.3.7, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the CPM Capacity designated under Section 43A.2.6.

7. Next Steps

The CAISO will discuss this revised straw proposal with stakeholders during a conference call on August 15, 2017. Stakeholders are encouraged to submit written comments by August 28, 2017 to initiativecomments@caiso.com.

Appendix 1

Draft Tariff Language

This appendix provides draft tariff language for the main CPM ROR tariff sections that are affected by this revised straw proposal.

43A.2.6 Capacity at Risk of Retirement Needed For Reliability

The CAISO will 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 or the calendar year following the current RA Compliance Year and is needed to maintain reliability as discussed below.

(a) Any resource owner can apply for a CPM risk of retirement designation under this section.

(b) The CAISO will provide two windows annually for resource owners to request a CPM risk of retirement designation. To be considered for a CPM risk of retirement designation in a given window, a resource owner must submit a request by the deadline specified in the BPM for Reliability Requirements for that window. The deadline for the first window will be no later than June 30 of each year, and the deadline for the second window will be after the deadline for submitting annual Resource Adequacy Plans.

(1) In the first window, the CAISO will consider two types of CPM risk of retirement designation requests: first, a request by a non-resource adequacy resource for a CPM risk of retirement designation for the current RA Compliance Year (referred to as a Type 1 CPM Risk of Retirement Designation); and second, a request by a resource adequacy resource or a non-resource adequacy resource for a CPM risk of retirement designation for the calendar year following the current RA Compliance Year (referred to as a Type 2 CPM Risk of Retirement Designation).

(2) In the second window, the CAISO will consider requests for a CPM risk-of-retirement designation for the upcoming RA Compliance Year, *i.e.,* the RA Compliance Year for which the recently submitted annual Resource Adequacy Plans apply (referred to as a Type 3 CPM Risk of Retirement Designation).

(c) Prior to issuing a CPM risk of retirement designation, the CAISO will prepare a report that explains the basis and need for the CPM risk of retirement designation and its intent to make such designation. The report will not identify the need for specific resources that the CAISO is not proposing to grant a CPM risk of retirement designation and will not specify the offer price of any resource for which the CAISO proposes to grant a CPM risk of retirement designation. The CAISO will post the report on the CAISO's Website and allow an opportunity of no less than seven (7) days for stakeholders to review and submit comments on the report. The CAISO will issue a report no sooner than 30 days after the close of the applicable window. For Type 1 and Type 3 CPM Risk of Retirement Designations, the CAISO will allow no less than thirty (30) days from the comment date for an LSE to procure Capacity from the resource. For Type 2 CPM Risk of Retirement Designations, the CAISO will allow no less than six months from the comment date for an LSE to procure Capacity from the resource. If an LSE does not, within the specified period, procure sufficient RA Capacity to keep the resource in operation during the term of the risk of retirement CPM designation, the CAISO may issue the CPM risk of retirement designation provided that all applicable requirements set forth herein have been satisfied and all other available procurement measures have failed to procure the resources needed for reliable operation. The CAISO will not issue CPM designations in order to circumvent existing procurement mechanisms that could adequately resolve reliability needs.

(d) The CAISO may issue a Type 1 CPM Risk of Retirement Designation if all of the following requirements are met:

(1) The resource is not contracted as RA Capacity or listed as RA Capacity in any LSE's annual Resource Adequacy Plan during the current RA Compliance Year, and CAISO technical assessments project that the resource will be needed for reliability purposes, either for its locational or operational characteristics, by the end of the calendar year following the current RA Compliance Year

(2) The CAISO did not identify any deficiency, individual or collective, in an LSE's annual Resource Adequacy Plan for the current RA Compliance Year that resulted in a CPM designation for the resource in the current RA Compliance Year;

(3) No new generation is projected by the CAISO to be in operation by the start of the next RA Compliance Year that will meet the identified reliability need;

(4) The Scheduling Coordinator for the resource has offered all Eligible Capacity from the resource into all CSPs for the current RA year; and

(5) The resource owner submitted the following information to the CAISO and DMM in its request for a CPM risk of retirement designation: an offer price consistent with Section 43A.2.6(g) and an affidavit of an executive officer of the company who has the legal authority to bind such entity, with the supporting financial information and documentation discussed in the BPM for Reliability Requirements, that attests that it will be uneconomic for the resource to remain in service in the current RA Compliance Year, and that the decision to retire is definite unless CPM or some other type of CAISO procurement of the resource occurs, the resource is sold to a non-affiliated entity, or the resource enters into an RA contract for the remainder of the current RA Compliance Year. Failure to provide this information will result in the CAISO rejecting the request and not issuing the report contemplated in Section 43A.2.6(c). If a resource owner fails to make these showings in its request for a Type 1 CPM Risk of Retirement designation, the CAISO will not study the need for the resource in the window.

(e) The CAISO may issue a Type 2 or Type 3 CPM Risk of Retirement Designation if all of the requirements specified below are met. In addition, Type 2 CPM Risk of Retirement designations require satisfaction of the requirements in Section 43A.2.6 (f).

(1) the resource is not contracted as RA Capacity or listed as RA Capacity in any LSE's annual Resource Adequacy Plan for the RA Compliance Year in which the resource will be CPM, and CAISO technical assessments project that the resource will be needed for reliability purposes, either for its locational or operational characteristics, by the end of the calendar year following the RA Compliance Year in which the resource would be CPM;

(2) The resource owner submitted the following information to the CAISO and DMM in its request for a risk of retirement CPM designation: an offer price consistent with Section 43A.2.6(g) and an affidavit of an executive officer of the company who has the legal authority to bind such entity, with the supporting financial information and documentation discussed in the BPM for Reliability Requirements, that attests that it will be uneconomic for the resource to

remain in service in the next RA Compliance Year, and that the decision to retire is definite unless an annual CPM or some other type of annual CAISO procurement occurs, the resource is sold to a non-affiliated entity, or the resource enters into an annual RA contract for the next RA Compliance Year. Failure to provide this information will result in the CAISO rejecting the request and not issuing the report contemplated in Section 43A.2.6(c). If a resource owner fails to make these showings in its request for a Type 2 or 3 CPM Risk of Retirement designation, the CAISO will not study the need for the resource in the window.

(3) No new generation is projected by the CAISO to be in operation by the start of the RA Compliance Year following the RA Compliance Year in which the resource will be CPM that will meet the identified reliability need; and

(4) The CAISO did not identify any deficiency, individual or collective, in an LSE's annual Resource Adequacy Plan for the upcoming RA Compliance Year that resulted in an annual CPM designation for the resource.

(f) In addition to the requirements of Section 43A.2.6 the requirements below must be satisfied for the CAISO to issue a Type 2 CPM Risk of Retirement designation to a resource:

(1) The resource demonstrated in its request for a CPM risk of retirement designation that it is unlikely to be procured as resource adequacy capacity for the next RA Compliance Year because its annual fixed revenue requirement calculated in accordance with Schedule F to the pro forma RMR Agreement in Appendix G of the CAISO Tariff exceeds the price specified in Section 43A.4.1.1. If a resource owner fails to make this showing in its request for a Type 2 CPM Risk of Retirement designation, the CAISO will not study the need for the resource in the window.

(2) The resource participated in all applicable resource adequacy competitive solicitations, requests for offers, or similar procurement mechanisms conducted by load serving entities for such RA Compliance Year and was not offered an annual RA contract consistent with its offer. If an LSE accepts the resource's offer in any such solicitation, the resource will not receive a risk of retirement CPM designation; and

(3) The resource is uniquely situated in that it is the only resource that can meet the identified reliability need.

(g) The price paid to a resource receiving a CPM risk of retirement designation will be cost-based and calculated based on the formula set forth in Section 43A.4.1.1.1. The resource owner must follow the process set forth in that Section and obtain from FERC a resource-specific, cost-based price. A resource owner may not propose to FERC --and will not be compensated based upon -- an offer price higher than the price it submitted to the CAISO with its request for a CPM risk of retirement designation. Prior to the determination by FERC of the resource-specific price for CPM capacity designated under this Section, and paid pursuant to Section 43A.7.1 the CAISO will proceed as follows: For the period between the CAISO's designation and the FERC determination, the CAISO will utilize the price specified in Section 43A.4.1.1 for purposes of the resource-specific monthly CPM payment for financial Settlement. This amount shall be subject to surcharge or refund based on the outcome of the FERC proceeding for months in which the price in Section 43A.4.1.1 was paid to the resource. Once approved by FERC, the CAISO will apply the resource-specific price determined by FERC.

(h) If there are multiple resources that can meet the reliability need identified by the CAISO, but the CAISO does not need all of the resources, the CAISO will determine which resource receives a risk of retirement CPM designation by using the offer price the resource owner submitted with its request for a risk of retirement CM designation and applying the criteria in Section 43A.4.2.2 and the criteria in Section 43A.4.2.3 applicable to the annual and monthly CSPs.

43A.3.7 Term-Capacity at Risk of Retirement Needed for Reliability

Type 1 CPM Risk of Retirement Designations will have a term for the balance of the RA Compliance Year in which they occur. Type 2 and Type 3 CPM Risk of Retirement Designations will have a term of 12 months. The term of any designation may not extend into a subsequent RA Compliance Year. The CAISO will rescind the CPM designation for any month during which the resource is under contract with an LSE to provide RA Capacity.

43A.9 Crediting of CPM Capacity [THIS IS EXISTING TARIFF LANGAUGE]

The CAISO shall credit CPM designations to the resource adequacy obligations of Scheduling Coordinators for Load Serving Entitles as follows:

(d) To the extent the cost of CPM designations under Section 43A.2.6 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.8.7, and the designation is for greater that one month under Section 43A.3.7, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the CPM Capacity designated under Section 43A.2.6.

Appendix 2

Stakeholder Written Comments on June 20, 2017 Straw Proposal

This section of the revised straw proposal provides the full written comments submitted by stakeholders. The CAISO has summarized these comments and provided responses in section 4.

1. Who Can Apply

Calpine - We support the changes suggested. The changes beneficially clarify that a resource need not wait until after it endures financial harm before it can initiate the ROR review.

CLECA - The response to this question is related to the response to Question 2.

NRG - NRG agrees with the CAISO's clarification that any resource, including those that are currently RA, RMR or under a CPM designation, can apply.

ORA - ORA supports the proposal to allow all resources, including those with current Resource Adequacy (RA) contracts, to apply for the CPM designation, with the caveat that a resource should not be designated for CPM at the same time it is under contract for RA.

PG&E - Allowing resources currently under an RA contract to apply for the CPM Risk-of-Retirement designation may be appropriate, depending on the particular design of the mechanism.

SCE - SCE believes that the proposal has struck a reasonable balance in terms of who can apply.

SDG&E- Who can apply depends mainly on when the results of the CAISO analysis will be released and also on how binding the generator affidavit is particularly if results are released before the year-ahead showing. SDG&E believes any generator should be allowed to apply regardless of RA contract status to make the CAISO's analysis be as complete and meaningful as possible.

Six Cities - The Six Cities support the ISO's proposal to allow any resource to apply for a Risk of Retirement CPM designation, whether or not the resource is subject to an RA contract at the time of the application, subject to the limitation that a resource cannot receive a Risk of Retirement CPM designation for any period for which the resource is subject to an RA contract, a Reliability Must Run contract, or any other type of CPM designation.

WPTF - WPTF strongly supports this element of the proposal and appreciates that the CAISO has made this change. Enabling resources currently under RA contracts the flexibility to seek CPR ROR in future planning periods provides some much-needed certainty.

2. Timing

Calpine - We do not object to the creation of "windows" for submission of ROR requests. We do note, however, that these studies will have to be coordinated with TSRO and BPM mothballing requests – as well as routine unilateral notices of PGA termination. In total these varied requests could place a significant burden on the ISO as the gas fleet is winnowed. Some parties allege that an April window may “front-run” the RA program, that is, identify resources that are absolutely needed for reliability prior to the prompt-year RA negotiations. We see this as a signal of failure of the RA program, not as a flaw in the ISO’s backstop role. Units needed for reliability, but at risk of retirement should not have to depend on annual contracting that may or may not materialize prior to the prompt year, but rather be contracted for significant term well in advance of the prompt year. But if they are needed for reliability, and are otherwise uncontracted, the CAISO CPM pricing (or higher prices as approved by FERC) appropriately reflect their scarcity value. It may go without saying, but a forward capacity commitment or procurement requirement would provide a more efficient retirement signal than continuous one-off reliability studies and the brinksmanship required by the timing associated with the end of year annual RA showing.

CLECA - A majority of stakeholders had taken issue with the earlier version of the CAISO’s proposal in regards to its schedule as well as its lack of consistency with the RA program schedule. CLECA believes that although the CAISO has made an effort to address a number of earlier concerns expressed by stakeholders, not all of the problems have been addressed in this revised straw proposal. The CAISO recommends two application periods for seeking to be procured under the Risk of Retirement (ROR) Capacity Procurement Mechanism (CPM), one in April and one in November. For the April application process, the premise is that the resource that is being considered for an ROR CPM designation is not an RA resource in the current year. For example, if a resource applies for an ROR CPM designation in April 2017, then it must not be an RA resource for 2017. In that case, the CAISO will undertake a study to determine if the resource is needed by the end of calendar year 2018. “If the CAISO finds the resource to be needed before the end of calendar year 2018, then it may issue a ROR CPM designation to the resource for the remaining months of 2017.”1 The language in this statement is somewhat confusing. CLECA assumes that the reason the CAISO would grant the resource an ROR CPM status is to provide bridge funding for the resource in 2017 until it is needed in future years, i.e., either 2018 or 2019. However, it is not clear if, in this example, the CAISO would also grant the resource a ROR CPM designation for the year 2018 or it would grant it solely for the remaining months of 2017. We assume it is the latter. The CAISO and the resource would not definitively know the status of the resource for 2018 until RA allocations for 2018 are announced on October 31, 2017. If the resource does not have RA status for 2018, we assume that it could apply in November 2017 for ROR CPM for 2018. This would require a study to determine if the resource were needed in 2019. In that case it could receive a ROR CPM for 2018 as “bridge funding”. In response to the earlier version of the proposal, the California Public Utilities Commission (CPUC) staff and stakeholders had pointed out that by granting an ROR CPM designation to a resource, the CAISO might pre-empt the determination of RA capacity for the subsequent year, namely, 2018, which would not be known until October of 2017. To address this dilemma, in its revised proposal, the CAISO specifies a number of provisions. We address each specific requirement and our concerns regarding it below.

1) The resource would have to show that its costs are high compared to other resources it is competing with for RA contracts. CLECA has several questions and concerns regarding this criterion. First, the proposal does not specify if the cost information would be submitted publicly or confidentially. If the cost information is required to be submitted publicly, it is likely that few resources would wish to jeopardize their competitiveness by revealing their costs. On the other hand, if the resource may submit cost information confidentially, then neither the CPUC nor the stakeholders will have insights into the process by which the CAISO will grant an ROR CPM status to a resource, a problematic outcome. In this context, CLECA notes that Reliability Must Run (RMR) contracts are confidential, so we assume that the cost information for ROR CPM would likewise be confidential. It is also not clear if the binding offer price would be based on the costs the resource owner submits while applying for an ROR CPM designation. We would assume they would be consistent, but the proposal does not address this point. The CAISO proposes that ultimately the FERC would decide the level of compensation for the ROR CPM resource. Would FERC accept such a confidential filing? For that matter, is it clear that FERC would be willing to take on the role of deciding on compensation for such resources?

2) The resource will require major maintenance in the future. The same reservations stated above may apply here. CLECA also wonders if a resource would accept ROR CPM treatment for a year, be provided with compensation that includes recovery of major maintenance costs, and then opt out of ROR CPM treatment afterwards, since such treatment is voluntary? In other words, could a resource ask for ROR CPM treatment for one year so as to recover costs of a major upgrade and then position itself for a future RA contract at a lower price?

3) Attestation that the Load Serving Entity (LSE) with whom the resource has a contract will not procure it for the next year. Our concern with regard to this provision is that even if the LSE were willing to provide such an attestation, it does not mean that another LSE might not be willing to contract with the resource for the following RA year. As the number of LSEs increases, the alternatives will expand. One question that the CAISO needs to answer is whether the resource will need to go to and seek such an attestation from all of the LSEs in the CAISO's Transmission Access Charge (TAC) area.

4) The LSE will not procure the resource through a Request for Offer (RFO). Again, how the LSE will definitely decide and attest to this potentially in advance of conducting an RFO is not quite clear. Moreover, we retain some concern about how the April application process will mesh with the RA process. The CAISO's ROR CPM process might still result in front-stopping of capacity instead of backstopping it as stakeholders had mentioned in their previous comment. It is also possible that resources may have an incentive to game the two processes in order to obtain the best economic outcome. Depending on how many resources apply for an ROR CPM designation, the process could represent considerable work for the CAISO. There is also some concern that the CAISO's study might prove to be unnecessary if the resource ends up getting an RA designation or makes a successful bid in an LSE's Request for Offer (RFO). CLECA has alluded to the process and timing concerns for 2019 above but expands on these further here. For a resource applying in November 2017, the CAISO states, "Resource

> is not RA for upcoming year. Under the ROR CPM tariff provisions, the CAISO will undertake a study to determine if the resource is needed for reliability before the end of calendar year 2019. If the CAISO finds the resource to be needed before the end of calendar year 2019, then it may issue a ROR CPM designation to the resource for 2018." CLECA assumes the above language to mean that the CAISO will essentially provide bridge funding to the resource in 2018 in order for it to stay viable and available for reliability purposes in 2019. CLECA wishes to clarify that, unlike the April application process, the resource in this example may or may not be an RA resource in 2017. CLECA is somewhat concerned that, similar to the April application process, the November application process might pre-empt the RA process for subsequent years. It would be helpful if the CAISO would explain in detail how different the ROR CPM process is from the RMR process.

NRG - NRG agrees with the two-window proposal. With regards to the proposal to allow 30 days for an LSE to procure the resource if the CAISO determines it is needed, if the CAISO determines that the resource is need in the current year, delaying the start of payment by 30 days to allow the LSE to procure the resource could invite the LSE to simply delay the beginning of compensation. NRG suggests this period be substantially shortened in the situation in which the resource is needed in the current year. The CAISO, on page 16, seems to suggest that the CAISO might not notify the resource that submits a request in the April window if it is needed. The Straw Proposal says: *"The CAISO will use this information* [information regarding the likelihood that the unit will be contracted in the next year] *to assess whether it is unlikely that the resource would be procured as RA for the upcoming RA compliance year. This information will also assist the CAISO in determining whether the RA market might be adversely impacted if the CAISO were to conditionally designate the resource for the upcoming RA compliance year in its April window analysis."* NRG requests the CAISO clarify the conditions under which it would not conditionally designate the resource if the analysis determined that the resource was needed.

ORA - The Straw Proposal would provide two windows each year, one in April and one in November, during which resources could apply for CPM ROR designation. The current tariff restricts the filing of CPM ROR applications until the conclusion of the annual load serving entity (LSE) RA contracting process. The proposed April window responds to the concerns of resource owners that more time is necessary to plan and manage a resource's potential retirement. While the April window would improve the process for resource owners, it could result in negative impacts for LSEs negotiating RA contracts. A resource owner that learned through the CPM ROR process that grid reliability depends on the resource's continued operation would have an advantage in negotiating an RA contract. Resource owners that know they can receive CPM payments in lieu of a bilateral contract would not be motivated to negotiate a contract for less than the price of a CPM payment. This could increase contract prices and associated ratepayer costs. To level the playing field during contract negotiations, ORA recommends that the CAISO require CPM ROR designated resources to submit RA contract bids that are capped for a duration of time at a reasonable level above the resource's operating expenses. The CAISO also should require all CPM ROR designated resources to submit financial information to confirm the accuracy of their bids.

PG&E - PG&E supports efforts to have an orderly retirement process that ensures reliability at lowest cost. However, if CAISO is considering having a centralized mechanism to evaluate capacity resources that occurs prior to the bilateral RA market, there should be a larger discussion on the potential impacts on overall market design and what is most optimal for generators and customers. PG&E has the following concerns:

1) The straw proposal's April window period front-runs the bilateral RA market. If a resource is granted a conditional CPM in April, it does not have an incentive to bid competitively in RA RFOs or CSP markets because the resource knows it can receive cost-of-service recovery.
2) It is unclear in the straw proposal how the reliability assessment is performed with respect to April window applicants compared against November window applicants, which has significant market design impacts. Please see our comments above.
3) The proposal results in higher costs to customers, when there are less expensive alternatives to meet the same goal. Under the current tariff and straw proposal, a resource that is *conditionally* CPMed in April 2017 will not reduce LSEs' RA obligations for 2018. As a result, LSEs will still contract for their full 2018 RA obligations using the lowest cost RA portfolio, while the CAISO also procures surplus unneeded capacity in the 2018 bridge year. An LSE will not will not take on the conditionally CPM'ed resource because it is against an LSE's interest take on the full obligation, as discussed above.
4) Lastly, the straw proposal is not clear on how requests for retirement, which may lead to RMR contracts, fit within this proposal. As suggested in our Issue Paper comments, it would be helpful for CAISO to provide a single process map showing how retirement, RMR, temporary shutdowns, and CPM ROR requests are related, as well as a comparison of the reliability evaluation assessment completed for each process. It is unclear how utilizing the CPM ROR process would be beneficial to generators when pursuing the RMR designation route would be less burdensome (no attestations, no competition, no waiting for window periods) and achieve the same result (cost-of-service contract).

SCE - SCE believes that the proposal has struck a reasonable balance in the timing of the application process. SCE believes that the timing is appropriate given that the CAISO has now proposed to limit the payments to that which is cost justified by FERC. Without this crucial pricing mechanism, SCE would be concerned with the price discovery issues inherent in this timeline which had been previously mentioned by SCE.

SDG&E - SDG&E does not support any results being released before the year-ahead showing. Any results available before the year-ahead showing will front-run the RA process to the detriment of SDG&E's ratepayers. The results will include any generator that has applied since the close of the previous year's window. The CAISO's analysis will also include any generators the CAISO finds necessary for reliability even without application but any generator that has not applied will not be included in the results. This is where the CAISO creates the most effective minimized reliability portfolio to be used until the next reliability analysis. It will contain all needed “reliability clusters” like local capacity areas and cluster similarly situated generators to determine the minimum generation needed in the cluster to maintain reliability. The CAISO will not rerun the analysis if a generator gives notice to retire outside the open window and will use the results of the last analysis as the basis to try and keep any generator needed for optimized reliability and lets other generators timely retirement. The open window timing should be such that the reliability analysis results will be available immediately after the year-ahead showing.

Six Cities - The Six Cities generally support the timeline for the application and evaluation process outlined in the Straw Proposal, including the proposal for application windows in April and November.

WPTF - WPTF supports the CAISO’s proposal on the timing of the process with the caveats noted in sections 3 and 5 below.

3. Application Requirements

Calpine - As Calpine has stated repeatedly, the current and proposed application requirements create a substantial barrier to the voluntary use of this ROR process. For instance, attestations that require assertion of “definite” unalterable conclusions in a highly volatile energy environment simply are not reasonable. The CAISO tariff should recognize that resource owners have vested property rights that allow them to establish the disposition of their uncontacted and uncommitted assets as they see fit.

CLECA - In its June 20 straw proposal, the CAISO proposes to require an affidavit from an executive officer of the company owning the resource stating that it would be uneconomic for the resource to stay in operation without an ROR CPM designation. This is a welcome addition to the CAISO’s earlier proposal. However, CLECA still has some concerns about the application process and the proof required to demonstrate that a resource is not likely to receive an RA designation or an RFO contract, as explained in our answer to Question 2.

NRG - NRG does not object to the proposed modifications to the attestation requirements. While NRG understands that a resource owner would not have to provide all of the demonstrations that it would not receive an RA contract for the succeeding year (listed on pages 15-16 of the Straw Proposal), some of the things that the CAISO proposes that a resource owner would have to show are unreasonable. Item (1) is burdensome, but analogous to the requirements under the current process. Item (4) appears to be a “bring us a rock” exercise – how many LSEs would the resource owner have to canvass to make such a representation? With regards to the requirement that a resource must have been offered into all applicable competitive solicitations for the current and following year in order to be eligible for a CPM ROR designation, the CAISO should recognize that, given past practice, the LSEs may have conducted no such solicitations for the next RA year conducted by the April application window. Further, offers into the annual CSP process are not due until seven business days after the last business day in October. NRG does not believe the CAISO means that a resource applying in the April window would have to have submitted a bid into the annual CSP process when that bid is not due until months later – but seeks clarification on this point.

ORA - The Application Requirements should ensure that applicants provide sufficient information to allow the CAISO to analyze the need for out of market payments and cannot inappropriately game the mechanism to gain market power. ORA makes the following recommendations to enhance the Application Requirements. As required in the current tariff, CAISO conducts a complete financial review of the resource to determine whether CPM payments are required to ensure the plant will be available when needed. The CAISO also should analyze whether temporary shut-down or mothballing of a resource is the least-cost option to maintain a plant's availability. CAISO should require the resource owner to explain whether these are reasonable alternatives to CPM, with the financial information to support the resource owner's claims. The CAISO's proposal states that the company must attest that the "decision to retire is definite unless CPM occurs." In order to uphold the purpose of the CPM designation, the CAISO should clarify that it will enforce retirement if the resource fails to meet one of the three provisions required to avoid retirement: the resource subsequently is sold to a non-affiliated entity; the resource receives an RA contract; or the resource is procured by the CAISO). This clarification ensures that only applicants that are truly at risk of retirement can use this mechanism and not those that simply want to gain knowledge of their market position. The CAISO proposes that a resource need not retire if it subsequently receives an RA contract, but does not specify the duration of the RA contract. For example, a resource owner seeking market position information could apply for a CPM ROR designation and avoid retirement by subsequently bidding low for a short-term monthly RA contract to avoid retirement. ORA recommends that a resource requesting to avoid retirement through acquisition of an RA contract should not qualify if it bids below its operating costs in obtaining an RA contract.

PG&E –Attestation: PG&E questions whether the three proposed exceptions are meant to be (1) specific and exclusive or (2) illustrative and expansive. PG&E would also request that the CAISO clarify whether temporary shutdowns are also an eligible retirement exception. April Window Applicants: Additional requirements are appropriate for April Window applicants that have an RA contract. However, the criteria listed are unlikely to be feasible for generators to demonstrate and are subject to discretion. First, a generator cannot prove other resource's costs. While the CPUC's RA report may contain some data, it is from past years, and is not necessarily reflective of current market conditions. Second, there is no baseline for determining what is acceptable for major maintenance costs. Third, it is unlikely that LSEs will provide formal proof that they will not sign a contract with a specific resource, as this distorts the market. PG&E suggests the requirement for April applicants with RA contracts could be evidence that costs exceed the CPM Soft-Offer cap. This metric is measurable (not subjective) and more feasible for generators to prove. This metric could work because LSEs are not incented to procure RA capacity above the CPM soft-offer cap. Since LSEs are unlikely to contract for RA capacity above that price, designating a resource with costs above the CPM soft-offer cap with a CPM ROR would be significantly less likely to interfere with the RA market. While our CPM Soft Offer Cap suggestion may be viable alternative to the proposed requirements, PG&E still asserts our concern about the April window period as a problematic design that front-runs the RA process.

SCE - SCE does not believe that the four criteria demonstrating that the resource is unlikely to receive an RA contract are necessary. The provisions appear speculative and difficult to reasonably prove. By limiting payment to the maximum of a FERC demonstrated cost of service, the information in this section is not necessary. This is assuming that the FERC demonstrated cost of service is reasonably assessed. SCE believes that the CAISO should define the types of costs that should be considered within this rate for FERC to authorize. Further, SCE believes that the costs should not include any major maintenance adders. This is due to the fact that such adders will be difficult if not impossible to appropriately account for in a one year contract. For example, if major maintenance is required and the maintenance is expected to provide for an additional 10 years of service, should the contract pay the entire cost of the maintenance or 1/10 of the maintenance? What guarantees would need to be put in place to ensure that the major maintenance is reasonably necessary and was reasonably completed within the one year of the contract? How would payment terms and progress be synchronized to ensure that the benefits and costs are consistent? If a specific resource is needed for reliability and in order to continue to be viable, the resource must have a major maintenance adder within a contract, then the CAISO should consider more appropriate mechanisms of procurement for which the costs and benefits are better matched.

SDG&E - SDG&E supports only one application window from September 15 – 30 each year. The affidavit is the only requirement. SDG&E does not support any restrictions based on the generators previous participation, offering or bidding behavior because it does not impact the generators future reliability value.

Six Cities - The Six Cities support the application requirements set forth in the Straw Proposal.

WPTF - WPTF supports the change in the application submission timing from 180 to 90 days. As part of the general application requirements, WPTF notes that the proposed new Tariff provisions stating that a resource that has received a CPM ROR designation need not retire should include the circumstance not only if the resource has been sold to a non-affiliated entity but also if the resource is *in the process of such a sale*. This is reflective of the fact that resource sales are time-intensive activities and may not neatly fit into the timeline defined in this proposal. While WPTF supports the intent of having two application windows, the current Straw Proposal's description of the April window is onerous and unworkable. We believe it would be better to leave this entire element out of the proposal for the sake of expediency and simplicity. The RMR process can serve the need the April window is proposed to address without adding unneeded complexity.

4. Selection Criteria When there are Competing Resources

Calpine - No comments at this time.

CLECA - The proposed conditions are acceptable to CLECA.

NRG - No comment.

ORA - ORA supports the proposed selection criteria when competing resources apply for the same time frame.

PG&E - PG&E supports creating a competitive process to determine risk-of-retirement designations to ensure reliability at the lowest possible cost. However, there are several details that are unclear and PG&E requests clarification on these details.

1) It is unclear if resources that are not selected through the competitive process will be required to retire, or if they will be able to exercise an attestation exception, or are eligible for a temporary shutdown of resource operations.
2) It is unclear whether the Straw Proposal is suggesting that the selection criteria is based on a resource's most recent CSP bid price or the resource's cost-of-service price.

SCE - SCE believes the proposed tie breaker is reasonable.

SDG&E - The CAISO's analysis in 2 above will result relative reliability rankings of generators and when not all the generators in a reliability cluster are needed, a random selector should be developed.

Six Cities - The Six Cities support application of the criteria set forth in Tariff Sections 43A.4.2.2 and 43A.4.2.3 for choosing among multiple resources seeking a Risk of Retirement CPM designation for overlapping time periods when the ISO's analysis indicates that not all of the competing resources are needed.

WPTF - WPTF supports the proposed selection criteria in the case of competing resources.

5. Term and Monthly Payment Amount

Calpine - Calpine appreciates the clarification that CPM bridge compensation would be for the "balance of the RA compliance year" rather than the current language which plainly allows designations to be made for periods anywhere from one to twelve months. We remain somewhat concerned with the language that suggests that monthly payments would be 1/12 of the annual compensation amount given that review, approval, or filing delays could result in uncompensated months.

CLECA - The CAISO proposal to pay the 1/12th of the annual CPM payment seems reasonable.

NRG - NRG supports the proposal to modify the tariff to indicate that the payments will be made on a "balance of year" concept, so that there will be no gap in payment (e.g., payments will start in January if a resource is needed in the summer.)

ORA - ORA supports this section of the Straw Proposal.

PG&E - PG&E supports this clarification.

SCE - SCE believes the clarification provided is appropriate.

SDG&E - Values need final determination of single or multiple windows and results release date(s). The term would normally bridge to the results release of the next annual analysis to avoid paying for capacity that is no longer needed for reliability. Payment rate could be based on CPM but an annual shaping factor may be needed to account for seasonal variations in value particularly for short-term bridging periods.

Six Cities - The Six Cities support the "balance of year" concept for payments to resources that receive a Risk of Retirement CPM designation subject to the limitation that a resource cannot receive Risk of Retirement CPM payments for any period for which the resource is subject to an RA contract, a Reliability Must Run contract, or any other type of CPM designation. The Six Cities also support determination of monthly Risk of Retirement CPM payments based on 1/12 of the annual costs approved by the FERC.

WPTF - WPTF supports the Term and Monthly Payment Amount with the key clarification that resources will receive compensation for all months of the calendar year of their CPM designation in which they do not have an RA contract. To provide an example, this means that if a resource does not receive a CPM designation until February 2018, and is not RA in January 2018 the resource owner will receive "back pay" for the CPM for the month of January 2018. WPTF believes this is the CAISO's intended proposal, but requests that this point be made clear in the next iteration of the policy process.

6. Cost Justification

Calpine - Calpine believes that as with the other CPM processes, the CPM soft cap should be the default price paid to resources. Including a FERC filing and cost justification is reasonable for units that have costs above the cap, but otherwise, such a process unnecessarily delays approval of ROR requests. Generators are not likely to be able to agree to continue to operate a resource at risk of retirement without first knowing the level of compensation that will be received for such operations.

CLECA - The CAISO states that the resource would have to apply to FERC to justify its costs and FERC will subsequently decide compensation. Would item 4 apply after this occurs? The proposal is not entirely clear on this point. The other concern CLECA has is how long FERC approval would take. This provision seems to introduce a high level of uncertainty into the ROR CPM process.

NRG - NRG questions the requirement that a resource would not be eligible for the CPM soft-offer cap price of $6.31/kW-year. That price, based on the going-forward costs of a proxy unit, has been deemed to be free of the exercise of market power. On that basis, it would not seem unreasonable to pay that price to a unit that the CAISO has determined is essential to the reliability of the system.

ORA - The Straw Proposal calls for the Federal Energy Regulatory Commission to decide the level of compensation for CPM ROR contracts with the intent for the CPM payments to be cost-based. ORA supports cost-based payments but recommends that the CAISO also analyze whether temporary shut-down or mothballing the resource is economically feasible. In general, a resource that is not needed in an upcoming year should not be evaluated for operating costs when there is no need for its operation in the bridge period. The CAISO should consider the fact that many businesses remain operational for a short period of time when they expect future profits. In situations when a resource receives payment to cover full operating costs during a bridge year, ratepayers should receive the benefits of that capacity payment. More specifics should be provided as to how that capacity will be allocated and the associated reduction of

LSE RA obligations. The CAISO also should address whether this CPM ROR capacity would impact other resources that are denied an RA contract as a result of a CPM ROR designation of a competing resource.

PG&E - PG&E finds this change acceptable, however would request that CAISO clarify how this designation is different from RMR, as stated in our comments above.

SCE - SCE agrees with the need to cost justify a CPM for Risk of Retirement with FERC.

SDG&E - CPM is a reasonable starting point but adjustments for other than twelve months may be needed.

Six Cities - The Six Cities support the ISO's proposal to require any resource that receives a Risk of Retirement CPM designation to submit a cost justification filing to the FERC for FERC's determination of the appropriate cost-justified payment amount. The Six Cities request confirmation that the annual Risk of Retirement CPM revenue requirement will be based on the methodology for determining the Annual Fixed Revenue Requirement for a Reliability Must Run ("RMR") unit as set forth in Schedule F to the *pro forma* RMR Agreement in Appendix G of the CAISO Tariff.

WPTF - WPTF supports the Cost Justification proposal.

7. Decision to Accept

Calpine - Calpine strongly supports the provision that allows a resource to accept or decline a CPM ROR designation. Generators must be able to make rational business decisions regarding the retirement of their generating units without fear that they can be forced into uneconomic operations through a CPM ROR designation at a compensation level that is unacceptable.

CLECA - The CAISO states that the ROR CPM process is purely voluntary and that the resource may decide not to accept the ROR CPM. This is problematic because the CAISO would have spent a lot of its time and resources on this process only to have the resource reject the offer. As stated above, there is also a concern about gaming the process.

NRG - NRG supports the CAISO's proposal to allow the resource owner to accept or reject the designation.

ORA - The proposal adds a new section to the current tariff that allows for a resource to accept or decline a CPM ROR designation. The CAISO should clarify the intent of adding the option for a resource to decline a CPM designation. In addition, the CAISO should address whether a resource may decline a CPM designation and retire when a reliability need exists in a subsequent year.

PG&E - No comment.

SCE - SCE has no comments on this topic.

SDG&E - The affidavit should cover this.

Six Cities - The Six Cities do not oppose the ISO's proposal to allow a resource to accept or decline a Risk of Retirement CPM designation. However, the Six Cities request that the ISO confirm that a resource that declines a Risk of Retirement CPM designation remains subject to a potential RMR designation. Moreover, if the same methodology applies to the determination of payment amounts under either a Risk of Retirement CPM designation or an RMR designation, it is unclear whether allowing a resource to decline a Risk of Retirement CPM designation has practical significance.

WPTF - WPTF supports the continuance of the policy that acceptance of CPM designations be voluntary.

8. Other Comments

Calpine - Calpine appreciates the changes included in the CPM Risk-of-Retirement (ROR) Straw Proposal. We condition our support upon the continued voluntary nature of ROR and the ongoing rights of resource owners to unilaterally terminate their PGA or remove resources on the PGA Schedule 1.

CLECA - One of our major concerns with the proposal is not directly addressed in any of the items above, namely cost impacts and cost allocations. It is not clear how the allocation of costs of the ROR CPM compare with the allocation of RMR costs. RMR costs are assigned to the Participating Transmission Owner (PTO) and thus included in its transmission rates. CLECA assumes that the costs of the ROR CPM will be allocated to the LSEs in the CAISO's TAC area. Since the resource is needed for reliability, would the costs be allocated to all TAC areas or only the TAC area where it is located? 3 Unless capacity is procured specifically for an individual LSE's local area deficiency, its cost should not be incurred disproportionately by the LSE and its peers but spread across all customers in the CAISO's TAC area. The other concern CLECA has is that by solely focusing on backstopping of fossil fuel capacity through its ROR CPM initiative as well as its parallel initiative for Temporary Suspension of Resources, the CAISO may be ruling out other attractive options. Stakeholders have been patiently awaiting the CAISO's durable flexible capacity product for example. It is also not clear if the CAISO can and will consider demand response or storage options in the studies it proposes to conduct before granting an ROR CPM status to a fossil fuel resource. While CLECA sympathizes with the CAISO's efforts to ensure that adequate capacity is available on its system to maintain reliability, we believe the CAISO should not ignore alternatives to keeping old fossil fuel power plants running. Moreover, the Integrated Resource Planning (IRP) proceeding, being conducted by the CPUC in coordination with the California Energy Commission and the California Air Resources Board, is expected to determine resource planning for the State. The CAISO should participate in that forum and avoid bypassing the IRP process as much as possible.

NRG - NRG has no other comments.

ORA - The tariff requires a reliability study to determine if a resource is needed for any part of a subsequent year. However, CAISO does not provide details on whether it will study alternative resources that could come online in the interim period that could also feasibly meet the reliability need. For example, the results of a study may show that the resource applying in 2017 is not needed until the last part of 2019. Additionally, the study could show that only 10 megawatts (MW) is needed. In this situation, under CAISO's proposal, a resource could receive a bridge payment when only a portion of its capacity is needed in the latter part of 2019. Clearly, given the length of time in this hypothetical situation and the amount of capacity needed for reliability, alternatives should be considered by both the CAISO and the CPUC. CAISO should state that when it conducts a reliability study, it will determine whether any potential resources can also technically address the need. CAISO can then work with the CPUC to determine the most cost effective solution for ratepayers.

PG&E – PG&E encourages CAISO to provide stakeholders with a document that maps out options for generators at risk of retirement, and how CAISO would evaluate a generator under each option. PG&E also encourages CAISO to consider broadening this initiative to address the Risk-of-Retirement and RA program design issues as soon as possible. While PG&E appreciates the CAISO's efforts to improve the risk-of-retirement process, as discussed in our Issue Paper comments, limiting the scope of this initiative for purposes of expediency will not achieve an efficient market design. The straw proposal illustrates how the scope of this initiative is too narrow to adequately address the risk-of-retirement and RA program design concerns. A few key concerns are highlighted below.

1) The straw proposal allows generators to obtain a conditional CPM designation that precedes the CPUC bilateral market and could distort market outcomes. The Straw Proposal enables generators to receive a conditional CPM designation as early as June, which is prior to when LSEs complete their bilateral contracting under the CPUC's RA program. This scenario has the potential to distort the bilateral market. First, generators receiving a conditional CPM will have an incentive to bid their projected CAISO-guaranteed compensation in RA RFOs or the CSP. Second, other generators will adjust their bids in RA RFOs or CSP knowing their competition is bidding at their projected CAISO-guaranteed compensation because of the CPM designation. Even if conditional CPMs are not announced to other market participants, a market power assessment will be necessary for owners of multiple generators to ensure CPM designation does not increase market power in a specific area. The narrow scope of this initiative cannot overlook these significant impacts to the RA market. As discussed in our Issue Paper comments, the discussion should be much broader than process enhancements to adequately solve the risk-of-retirement and RA program design issues.

2) The straw proposal will require customers to pay for costly, unneeded generation absent coordination with the CPUC. The Straw Proposal's conditional CPM designation does not consider the new market dynamics of multiple LSEs. For example, the Straw Proposal does not specify whether a conditionally CPMed resource will reduce LSEs' CPUC RA procurement obligations. If the conditional CPM designation reduces the LSEs' procurement obligation, this is a de-facto front-run of the CPUC's process. However, if the conditional CPM does not reduce LSEs' RA procurement obligation, it will result in excess procurement of unneeded, expensive capacity. PG&E requests the CAISO work with the CPUC to clarify RA crediting. While the straw proposal gives LSEs the opportunity to procure the conditionally CPMed resource, this is not likely to happen. LSEs want to procure the lowest cost portfolio for their customers. As the number of

LSEs increases, there is less incentive for a single LSE to solely take-on high cost contracts, especially when a CPM designation would more equitably distribute those costs. The number of LSEs is growing significantly: over 30 Community Choice Aggregators (CCAs) within CAISO are either 1) in the process of exploring, 2) launching or 3) in operation. The CPUC is currently reviewing how this growth will impact the RA program, as well as other state policies (Renewable Portfolio Standards, Integrated Resource Planning, Energy Efficiency, and more). Without consideration of the new retail market reality, the Straw Proposal could result in an inefficient market design that over-procures capacity and places more costs on customers than necessary.

3) The Straw Proposal does not consider how RMR is still a preferred methodology, nor map how a generator will navigate between the RMR, TSRO, Retirement, and CPUC retirement processes. For a generator, it appears that RMR is still a preferable process. Pursuing an RMR contract does not require an attestation. It does not require a competitive evaluation process against other generators. It can be requested at any time. And an RMR contract achieves the same outcome: cost-of-service recovery. PG&E requests that CAISO demonstrate how it envisions a generator navigating between the TSRO, Retirement/RMR, CPM ROR, and CPUC RA program processes, as well as clarify the type and duration of reliability assessment performed by CAISO. Without understanding fully how the proposed process enhancements interrelate with these other options, the market runs the risk of incenting unintended behaviors and producing unintended consequences.

4) The Straw Proposal's window periods may encourage bidding behaviors counter to policy goals. The Straw Proposal does not specify how the reliability assessment is performed with respect to April window applicants compared against November window applicants. This situation has significant market design impacts. For example, assume Resource A applies in the April 2017 window and meets all the requirements for a conditional CPM ROR for 2018. Resource B applies in the November 2017 window. In the November reliability assessment, if Resource B is a better fit to meet a reliability need and/or is lower cost than Resource A, will it be granted the CPM ROR for 2018 instead of Resource A?

- If *yes*: the purpose of having an April window period is nullified, because it will not give generators the runway/certainty to make investment decisions.
- If *no*: there could be a competitive advantage for more resources to apply in the April window, and thus more resources 'front-running' the RA process.
- Alternatively, an owner could intentionally stagger its CPM ROR requests between its generators to avoid competition between its own resources.

In addition, the Straw Proposal does not clarify whether generators with partial RA contracts are eligible for the conditional CPM designation. For instance, a resource may only secure an RA contract for the peak load months. Or, a generator may only have an RA contract for part of its capacity. In either situation, it is unclear whether these resources would be eligible for CPM designation in either window period. PG&E encourages CAISO to provide more detail on how it will evaluate the April and November applicants to ensure any contracting strategy does not run counter to an efficient and competitive market.

SCE – None.

SDG&E - SDG&E's proposed methodology may eliminate the need for Temporary Shutdown of Resource Operations. If the generator is or will be needed for reliability it is paid to stay available. If it not needed it should just retire.

Six Cities - The Six Cities have no further comments at this time on the Risk of Retirement CPM Straw Proposal.

WPTF - WPTF commends the CAISO for its efforts to develop incremental improvements and simplifications to the CPM ROR process on an expedited basis.