

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the stakeholder initiative
“Review of RMR and CPM.”

Submit comments to initiativecomments@caiso.com

Comments are due April 10, 2018 by 5:00pm

The Draft Final Proposal for Phase 1 Items and Items under Consideration for Phase 2 that was posted on March 13, 2018 and the presentation discussed during the March 20, 2018 stakeholder meeting can be found on the following webpage:

http://www.caiso.com/informed/Pages/StakeholderProcesses/Review_ReliabilityMust-Run_CapacityProcurementMechanism.aspx.

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

1. Comments on phase 1 draft final proposal to make RMR units subject to a must-offer obligation.

Please indicate whether you support the draft final proposal. If you oppose the draft final proposal, please indicate the reasons for your opposition.

Comments:

Sierra Club supports making reliability must run (RMR) units subject to a must-offer obligation but has the following two concerns with the final draft proposal.

1) RMR Contracts Should Include the Allocation of Flexible RA Capacity

The draft final proposal fails to maximize ratepayer benefit of contracts by deferring the topic of allocating flexible RA capacity of an RMR resource. As CPUC Staff noted in its February comments, “[t]he current RMR contracts do not cover the procurement and allocation of flexible capacity.... Since ratepayers are paying for all of the costs associated with the operation and dispatch of these resources, they should be allocated the flexible capacity attributes of the resource.”¹ The draft final proposal does not incorporate this suggestion, but rather states it may be within the “possible scope of Phase 2.”²

While CPUC Staff state that it “believes this would be a small modification” to the RMR tariff, CAISO fails to provide any response as to why allocation of flexible RA capacity is not included in Phase 1. Indeed, the recently filed settlement between CAISO, Calpine, and PG&E regarding the RMR contract for Metcalf specifically includes allocation of Metcalf’s Effective Flexible Capacity to applicable load serving entities as part of its must-offer obligation.³ There does not appear to be any legitimate reason why allocation of flexible capacity cannot be similarly included in RMR contracts going forward. Accordingly, the Draft Final Proposal should be amended to specifically include allocation of Flexible RA before it is presented to the CAISO Board for approval.

2) Bids Should Not Include Major Maintenance Adders

In describing the submission of energy and ancillary service cost-based bids by the Scheduling Coordinator (SC) under Condition 2 RMR Units, the draft final proposal states that the “SC can include opportunity costs and major maintenance adders in bids.”⁴ It is Sierra Club’s understanding that RMR contractual costs already account for cost of service, which would include maintenance. Since these costs are accounted for, it is unclear why the SC should then again be able to include a major maintenance adder. CAISO should clarify or remove this term prior to finalizing its proposal.

¹ CPUC Energy Division Comments dated Feb. 28, 2018, p. 2.

² Draft Final Proposal p. 16

³ FERC Docket No. ER18-230, Joint Offer of Settlement of Gilroy Energy Center, Metcalf Energy Center, PG&E and CAISO (Mar. 21, 2017), ¶13(h), available at https://elibrary.ferc.gov/idmws/file_list.asp?accession_num=20180323-5002.

⁴ Draft Final Proposal p. 17 n. 9.

2. Comments on phase 1 draft final proposal for ISO to provide notification to stakeholders that a resource is planning to retire.

Please indicate whether you support the draft final proposal. If you oppose the draft final proposal, please indicate the reasons for your opposition.

Comments:

Sierra Club supports notification to stakeholders that a resource is planning to retire. However, the draft final proposal should be clarified and improved by: (1) defining a timeline for notifying stakeholders; and (2) making the written notice available to stakeholders.

First, the draft final proposal does not appear to define the timing between when a retirement notice is received and when stakeholders are notified. Sierra Club recommends that the ISO commit to notifying stakeholders no later than 5 business days from receipt of notice. Second, the draft final proposal notes that ISO will notify stakeholders by summarizing the key information included in any notice that a resource may retire, but declines to post the actual notice.⁵ This change would provide some additional degree of transparency, but stakeholder transparency would be further advanced by making any such written notices publicly available. Stakeholders have a vested interest in understanding any stated justifications for why the resource plans to retire. To the extent a particular notice contains market-sensitive information, this portion can be redacted.

3. Comments on potential phase 2 items.

Section 8 of the March 13, 2018 paper discusses the items that may be candidates for phase 2 of this initiative. It includes items suggested by both the ISO and stakeholders. The ISO requests that stakeholders comment on the priorities for these potential phase 2 items.

Comments:

To focus discussion of potential reform to RMR and CPM procurement, the purpose and relationship of each mechanism and its relationship with RA should first be defined. Sierra Club supports CAISO's intention to "provide a process map showing how retirement requests will be evaluated within the overall process ... to provide an understanding of how the procurement processes interact with each other."⁶ However, this alone is insufficient.

Importantly, what is the purpose of each mechanism and what is it trying to achieve? For example, to the extent RMR is a mechanism of last resort to retain needed resources that would otherwise retire for economic reasons, existing RMR terms do not reflect this purpose. Resource owners seeking an RMR designation currently have no requirement to substantiate

⁵ CAISO Draft Final Proposal p. 18.

⁶ CAISO Draft Final Proposal p. 19.

their claims that their resource is, in fact, uneconomic and that they would otherwise retire. Rather, current policies may incentivize generators to seek an RMR designation first, rather than as a mechanism of last resort. Accordingly, the priority for Phase 2, perhaps in an initial pre-phase, should be to define the purpose and interrelationship of each mechanism to properly inform and focus subsequent revisions to existing structures. Defining the purpose of these mechanisms early in this process will lead to a more productive and focused discussion in Phase 2.

Other Comments

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

Comments:

Sierra Club has no additional comment.