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 "Capacity Procurement Mechanism Risk-of-Retirement Process Enhancements."

Submit comments to InitiativeComments@CAISO.com

Comments are due October 4, 2017 by 5:00pm

The Draft Final Proposal posted on September 13, 2017 and the presentations discussed during the September 20, 2017 stakeholder conference call can be found on the CPM ROR Website.

Please use this template to provide your written comments on the Draft Final Proposal and any additional comments that you wish to provide.

1. Please indicate whether you support the Draft Final Proposal.

Comments:

As a general matter, the Six Cities do not oppose the Draft Final Proposal, and there are certain elements of the Draft Final Proposal that the Six Cities specifically support, listed as follows:

- The Six Cities support the CAISO's confirmation that a resource designated under the tariff provisions for the CPM Risk-of-Retirement program may not recover both CPM

Risk-of-Retirement payments and payments for Resource Adequacy capacity, Reliability Must Run ("RMR") payments, or payments under any other CPM designation.

- The Six Cities support the CAISO's proposal to compensate resources designated under the CPM Risk-of-Retirement program using the same cost-of-service methodology as is reflected in the *pro forma* RMR Agreement subject to FERC approval. The Six Cities concur with the proposal that the offer price submitted with the CPM Risk-of-Retirement application materials serve as a cap on the cost-of-service rates that a CPM Risk-of-Retirement resource must subsequently file with and have approved by FERC.
- The Six Cities also support the CAISO's proposal to compensate resources based on a "balance of year" approach (with each monthly payment equating to 1/12 of the FERC-approved level) commencing from the designation period forward, and excluding any months in which a resource is receiving payments as a Resource Adequacy or RMR resource or under any other type of CPM designation.
- Finally, the Six Cities support the CAISO's confirmation that resources designated under the CPM Risk-of-Retirement program must meet availability requirements, including the Day-Ahead and Real-Time availability requirements (including requirements applicable to the highest category of flexible capacity for which the resource qualifies).

2. Please provide any additional comments.

Comments:

The Six Cities also have the following comments on the Draft Final Proposal:

- The Six Cities acknowledge the concerns raised by stakeholders during the September 20th meeting relating to enforcement of the statements in the affidavit regarding the subsequent retirement of resources that are not awarded a CPM Risk-of-Retirement designation (or receive a Resource Adequacy contract or are sold). The CAISO confirmed its expectation that resources not selected for CPM Risk-of-Retirement designations would move forward with retirement, and suggested that this requirement would be self-enforced by the resources' respective owners, which would risk a potential FERC enforcement action for false or misleading statements if retirement did not take place as attested in the affidavit. Without some mechanism to monitor and enforce the statements in the attestation, there could be some risk that resource owners may not timely retire their facilities. Because the Six Cities understand that the CAISO does not intend to release reports regarding resources that are studied under the CPM Risk-of-Retirement program and not awarded CPM designations, stakeholders will not be in a position to seek enforcement of the retirement obligation. What steps will the CAISO take to ensure that the commitments made in the affidavit regarding resource retirement in the absence of a CPM designation are fulfilled?

- The Six Cities also acknowledge the concerns expressed during the September 20th stakeholder meeting and in previously-submitted comments regarding the inclusion of significant capital expenditures in the compensation rate for designated resources under the CPM Risk-of-Retirement program. The Six Cities understand that the compensation rate for CPM Risk-of-Retirement resources will be based on the plant in service at the start of the CPM designation. Stakeholders would benefit from further explanation from the CAISO as to how this will minimize exposure to costs for unusual or significant capital or maintenance costs. The application should require resources to identify and disclose any anticipated capital costs (or major maintenance costs) in excess of a certain monetary threshold that are reflected in the offer price.
- Stakeholders would benefit from further explanation from the CAISO as to whether the timing for CPM Risk-of-Retirement designations under each procurement category will synchronize with the timing of Resource Adequacy showings such that LSEs will be able to meaningfully utilize any CPM credits to offset their Resource Adequacy requirements.
- Southern California Edison Company's proposal to require resources that apply for designation under the CPM Risk-of-Retirement program to fund the studies associated with their applications has merit. While the Six Cities understand that the CAISO does not intend to require resources to fund such studies at this time, there may be value in revisiting this in the future, particularly if the study costs prove significant.