

Stakeholder Comments Template

Subject: Reliability Services

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the Draft Straw Proposal for the Reliability Services initiative that was posted on June 5th, 2014. Upon completion of this template please submit it to RSA@caiso.com. Submissions are requested by close of business on **June 26th, 2014**.

TURN Comments:

TURN offers the following comments on the CAISO's Draft Straw Proposal of June 5:

TURN Endorses the CAISO Decision to Focus Now on Replacing the Capacity Procurement Mechanism and To Defer Consideration of Mid-Term Procurement Issues

The Draft Straw Proposal (Proposal) states the CAISO will initially focus on replacing the Capacity Procurement Mechanism (CPM) that will expire in February 2016 and defer to a later date discussion of potentially challenging procurement issues related to "mid-range resource adequacy capacity procurement".¹ TURN appreciates this change, which was first announced at

¹ *Draft Straw Proposal*, p. 4.

an April 23 working group meeting,² in the immediate scope of the Reliability Services Initiative (RSI).

CAISO Should Exercise More Diligence When Making Statements Regarding Mid-term Capacity Procurement Issues

However, some of the statements the CAISO made in the Proposal about current procurement policies are a cause for concern. For example, the Proposal said there is an “acknowledged gap in future forward procurement processes”.³ TURN believes that capacity procurement policies should always be open to review, that such review is timely now because of the ongoing changes in the state’s electric resource mix, that extension of the current Resource Adequacy (RA) procurement requirements forward an additional year or two may be warranted, and that other changes may also be necessary or desirable. But TURN does not believe it helpful for the CAISO to make a vague, general and undocumented assertion that there is an “acknowledged gap” in procurement processes.

The Proposal also said “The ISO has previously identified a gap in resource adequacy planning three to five years into the future.”⁴ TURN found this statement surprising, because – to TURN’s knowledge – the only such CAISO statement to this effect has been thoroughly debunked.⁵ Again, capacity procurement policies covering “years three to five” are open to review, but such review must be based on the facts regarding such policies.

If and when the RSI proceeds to address multi-year forward procurement issues, the CAISO will need to carefully present and document its understanding of and concerns with the state’s procurement policies for any changes it proposes to be taken seriously.

Comments on Issues Regarding Replacement of Capacity Procurement Mechanism

TURN is not offering comments on Parts 1, 2 and 3 of the Draft Straw Proposal. TURN offers the following comments on Part 4 of the Proposal, which proposes a replacement for the Capacity Procurement Mechanism.

4. Please provide feedback on Part 4: Capacity Procurement Mechanism.

a. Comments on index price

TURN appreciates some of the challenges the CAISO outlined regarding the use of CPUC-gathered RA pricing data to set backstop prices.⁶ However, TURN believes at least some of these challenges can be overcome if the CPUC and/or

² See slide 4 of presentation from *Reliability Services, Working group meeting* dated April 23, 2014.

³ *Draft Straw Proposal*, p. 4.

⁴ *Id.*

⁵ See *Planned Remarks on behalf of The Utility Reform Network* by Kevin Woodruff, Principal, Woodruff Expert Services, prepared for the Federal Energy Regulatory Commission Technical Conference on Flexible and Local Resources Needed for Reliability in the California Wholesale Electric Market, Docket No. AD13-5-000, July 31, 2013.

⁶ *Draft Straw Proposal*, pp. 58-59.

CAISO are willing to engage in greater review and analysis of the RA data and, at times, the RA contracts themselves. Review of “RA only” contracts and data could be particularly helpful for setting appropriate backstop prices.

In addition, it may be possible for CPUC staff to obtain from Load-Serving Entities (LSEs) information on the RA capacity offers that they rejected.⁷ A backstop price based on what the costs of next increments of capacity “would have been” could be developed from such data.

Further, such analyses can be performed more than once per year, but on an ongoing basis as LSEs complete their RA procurement in advance of their monthly RA showings.

In short, TURN believes reasonably current measures of market prices can be developed from recorded bilateral market data.

b. Comments on competitive solicitation process

TURN is concerned about the bidding timelines, under which bidders make bids that are actionable for up to 60 days but also allow bidders to withdraw such offers should they receive contracts during this period.⁸ Such a unique timeline may invite suboptimal bidding behavior, and might make supply-side market power mitigation measures more important.

TURN understands the CAISO is now developing its proposal for selecting capacity from its CPM solicitation process.⁹ The CAISO seems to be proposing that its choice of units for designation under the CPM will consider many, possibly competing attributes and it is possible that professional judgment rather than strict quantitative criteria may guide such choices.¹⁰ TURN does not argue with the need to exercise such judgment, but believes that the process should be made as transparent as reasonably possible.

c. Comments on other changes potentially needed to CPM

d. Comments on CPM price

e. Comments on supply-side market power mitigation measures

TURN has no comments on topics c, d and e at this time.

f. Comments on demand-side market power mitigation measures

⁷ It would certainly be possible for the CPUC to get such data from the Investor-Owned Utilities.

⁸ *Draft Straw Proposal*, pp. 62-63.

⁹ *Reliability Services Initiative, Draft straw proposal meeting*, p. 73.

¹⁰ *Draft Straw Proposal*, pp. 60-61.

TURN generally agrees with the Proposal's discussion of buyer-side market power mitigation issues.¹¹

g. Other comments

The Proposal's discussion of the CAISO's "risk-of-retirement" backstop designation process suggests that any resource seeking such a designation should show it has "done everything possible to get a RA contract".¹² TURN agrees with this principle. The CAISO's presentation at its June 12 stakeholder meeting also said such applications must "[c]omply with current tariff rules, including requirement to have participated in bilateral request for offers".¹³ TURN notes that defining and enforcing this latter requirement may be challenging and review of such current tariff language may be appropriate in this phase of the RSI.

¹¹ *Draft Straw Proposal*, p. 66.

¹² *Id.*, p. 64.

¹³ *Reliability Services Initiative, Draft straw proposal meeting*, p. 81.