

Stakeholder Comments Template

Submitted by	Company	Date Submitted
Dr. Barbara R. Barkovich Barkovich & Yap, Inc. barbara@barkovichandyap.com (707) 937-6203 Sarita Sarvate Barkovich & Yap, Inc.	California Large Energy Consumers Association	February 20, 2018

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 February 20, 2018 by 5:00pm

The Issue Paper and Straw Proposal for Phase 1 Items that was posted on January 23, 2018 and the presentation discussed during the January 30, 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 issue paper and straw proposal items listed below and any additional comments that you wish to provide.

1. Comments on phase 1 proposal to make RMR Condition 1 and 2 Units subject to a MOO for Energy and AS.

Comments:

CLECA supports a MOO for RMR Condition 1 and 2 Units. These units should be participating in the market as they have been designated for reliability reasons, similar to facilities under RA contracts.

2. Comments on potential phase 2 items listed in issue paper and straw proposal.

Comments:

CLECA is concerned about the CAISO's proposal to expand its tariff authority to designate RMR and CPM resources. Consistent with the CPM settlement, the current procurement structure is based on LSEs procuring sufficient resources through the RA process to allow the grid to be operated reliably and relying minimally on the CAISO for capacity procurement. In CLECA's opinion, the need for procuring the "right resources," particularly local resource adequacy (RA), through the CAISO's backstop authority indicates a failure of the current process. The CAISO does not need to expand its authority to achieve this. Instead, there is a need for a transparent process for conveying local RA needs and assuring that resources are acquired to meet them while avoiding the ability for market power to be exercised. We realize that this is a challenging balancing act.

The CPUC policies that combine local areas or sub-areas were designed to mitigate market power. Our concern is that if the CAISO believes certain resources need to be procured, this combining of local areas or sub-areas, while mitigating market power, leads to situations where the actual procurement does not meet the CAISO's reliability principles and thus leads to backstop procurement. If the backstop procurement is done through the CPM mechanism¹, it is voluntary to the resource, and the resource can decline or, in the alternative, seek compensation in excess of the soft offer cap, which might or might not be approved by the FERC. If the resource declines, the only option for the CAISO is RMR. It seems preferable to come up with a way that the CAISO can convey to the Local Regulatory Authorities (LRAs) what resources are going to be needed before RA compliance commitments have been made in order to minimize backstop procurement. This may involve a decision by the LRA to direct procurement of such resources by an entity on behalf of other LSEs. Reconciling the need for confidentiality to mitigate market power with the necessity for transparency will admittedly be tricky.

For example, the CAISO could inform an LRA such as the CPUC that it might engage in backstop procurement for local resources. The CPUC could then direct an Investor Owned Utility (IOU) to engage in such procurement on behalf of all of its jurisdictional LSEs. While the LSEs would

¹ We refer here to backstop procurement through year-ahead CPM for collective deficiencies. As noted herein, we have a concern about CPM procurement for a collective deficiency where sufficient MW were contracted for resource adequacy but the CAISO found they were not the right MW. We do not refer to exceptional dispatch or significant events. We also do not refer to CPM for risk of retirement.

understandably prefer to engage in their own procurement, this approach would be better than having the CAISO determine after the fact that in aggregate the LSEs did not procure the resources needed for reliability and proceed to engage in backstop procurement at additional customer expense.

Furthermore, it would be useful for the CAISO to engage in look-ahead assessments of the potential impacts of anticipated or likely retirements in 2018 and 2019 to determine how these could affect future local RA requirements. We are concerned that waiting until a resource announces its intention to retire and then performing a study of the impact of the loss of that resource alone, will not ensure the most cost-effective or efficient results for consumers on a comprehensive basis.

3. Suggested additional items for phase 2 that are not listed in issue paper and straw paper and why the items need to be addressed.

Comments:

The consequences of the CAISO's designation of certain facilities through year-ahead CPM or RMR to address local RA needs should be a very high priority. Such designations in 2017 resulted in procurement in excess of aggregate RA requirements that were not triggered to cure individual LSE deficiencies, but rather because apparently the LSEs signed RA contracts with "the wrong resources"² in the CAISO's view. In particular, the designation of Moss Landing and Encina through CPM in December 2017, after RA showings had been made, and apparently without any provision of information to the LRA for these LSEs that these resources were required for local reliability, resulted in higher than necessary levels of overall procurement in total MW and higher costs for consumers. We understand that costs to cure deficiencies are allocated to deficient LSEs. However, the costs for year-ahead procurement for area reliability appear to be allocable across the entire TAC area, per the CAISO tariff. This would increase the amount of RA allocated to all customers in the TAC area, regardless of what their LSE had already procured. In turn, such procurement would increase costs for all customers. It is our understanding that this is what happened with the Moss Landing CPM designation.

CLECA would like to encourage greater transparency in the way such designations are made. While we understand that the CAISO determined that the RA procurement did not meet its reliability principles, how that determination was made is unclear. Did the CAISO run a power flow analysis with the contracted RA capacity that was shown for RA compliance and deem it inadequate?

There are clearly overlapping issues between this stakeholder process and the CAISO's proposed new RA Enhancements stakeholder process. CLECA is very concerned that the CAISO

² We understand that the situations regarding Moss Landing and Encina were not identical.

does not intend to address local RA procurement problems until Track 2 of the RA Enhancements stakeholder process, which is being treated separately from this one. According to the 2018 Final Policy Initiatives Roadmap, this process will not lead to any results until the year 2020, which will lead to no implementation of changes until the 2021 RA compliance year. We share the CAISO's concern to gain approval of a MOO for RMR effective no later than 1/1/2019 in Track 1 of this stakeholder process. However, the rationalization of local capacity procurement and the minimization of use of CPM and RMR are inter-related and urgent. Otherwise there is a very real risk of additional CPM and RMR designations in 2018 for the 2019 RA year and more for the 2020 RA year.

Another problem with RMR is that it is initiated by resource owners who go privately to the CAISO to announce an intention to retire unless the resources are deemed needed for local reliability and put under a CPM agreement or an RMR contract. This results in the CAISO performing a one-off analysis that does not allow for a holistic review of alternatives. There should be a direct connection between the annual local reliability assessment performed by the CAISO and the procurement of "the right" local RA as part of the annual RA process. If current CPUC RA procurement rules regularly fail to result in contracts for resources that the CAISO deems necessary, the CAISO and the CPUC need to find a way to create rules that result in procurement that meets local RA needs but avoids the exercise of market power. It would also be helpful for the CAISO to explain why it is performing more backstop procurement for local RA than in the past.

It is worthwhile mentioning here that the recent decision in the CPUC's Integrated Resource Planning (IRP) proceeding (D. 18-02-018 at 145) also refers to the issue of coordination between RA and other processes at the Commission as well as the CAISO. The decision adopts the IRP's assumption that, with the exception of the Once Through Cooling (OTC) plants, other natural gas resources will be needed for reliability and directs Commission staff to work with the CAISO to study the most important attributes of the natural gas fleet in coordination with the RA proceeding activities.

Accordingly, CLECA urges the CAISO to work with the CPUC to find optimal solutions to meet the reliability needs of California's grid, including those related to local reliability mentioned above and those related to the impact of the state of the natural gas fleet.

4. Other Comments

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

Comments:

[Insert comments here]