

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
Steven Kelly Policy Director	Independent Energy Producers Association (IEP)	January 10, 2019

Please use this template to provide your written comments on the stakeholder initiative “RMR and CPM Enhancements.”

Submit comments to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com)

**Comments are due January 10, 2019 by 5:00pm**

The December 12, 2018 second revised straw proposal and the presentation discussed during the December 20, 2018 stakeholder conference call can be found on the following webpage: [http://www.caiso.com/informed/Pages/StakeholderProcesses/Review\\_ReliabilityMust-Run\\_CapacityProcurementMechanism.aspx](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 December 12, 2018 second revised straw proposal.

The FERC has put the CAISO (and, by extension, the CPUC) on Notice that a “wholistic” solution must be developed to address capacity needs in California. IEP believes that the CAISO’s tariff filings when filed will be reviewed by the FERC through the prism of CPUC decision-making with regards to its RA program.

As a practical matter, the CAISO’s RMR and CPM Enhancements and the CPUCs RA Refinements must align or else problems will emerge, and stakeholder will remain in a “do-loop” of never-ending RA/RMR/CPM policy refinements and enhancements. The CPUC’s RA Track 2 decision is expected to address matters fundamental to the CAISO RMR and CPM Enhancement initiative, including (a) defining a multi-year RA Framework (for system, local, and flexible RA capacity) and (b) implementation of a central procurement entity (CPE) to procure needed RA capacity. If the CPUC’s RA program fails to

incent timely LSE-forward-procurement (or, alternatively, forward CPE procurement) to lessen the risk of CAISO CPM/RMR backstop procurement, then broader enhancements in the CPM/RMR programs perhaps are warranted.

Given the relatively broad opposition to key parts of the RA Track 2 Proposed Decision (PD), IEP believes that there is a high likelihood that the matter may be pulled from the Commission's January 10, 2019 business meeting agenda for further consideration. At a minimum, the CAISO needs to build into its RMR/CPM Enhancement schedule time for stakeholders to reflect on the RA Track 2 Decision once rendered, because that decision likely will inform stakeholder's consideration of the CAISO's RMR and CPM Enhancements. We suggest a 3-6 month delay in order to accommodate the CPUC RA decision-making

### **RMR and CPM**

- a. Provide notice to stakeholders of resource retirements

**Comments:** IEP Supports the proposed Retirement Notice provisions.

- b. Clarify use of RMR versus CPM procurement

**Comments:**

IEP supports using CPM to "backstop" the CPUC's RA program in instances in which LSE RA procurement proves to be insufficient to ensure grid reliability (local, system, and flexible). Generator participation is voluntary, but if bids are submitted and accepted, generator participation is mandatory. Generators will be subject to a Must-offer Obligation (MOO) if designated. Generators will be subject to the RAAIM if designated.

IEP supports using a single program such as RMR (rather than CPM) to address Risk-of-Retirement (ROR) backstop procurement. We have concerns, however, about the proposal to impose a RAAIM penalty on RMR contracted resources when unavailable. (see below).

- c. Explore whether Risk of Retirement CPM and RMR procurement can be merged into one mechanism

**Comments:**

At this point, IEP is not supportive of merging the CPM and RMR paradigms because they are designed to address distinctly separate conditions that may arise in the marketplace. Moreover, any consideration of whether the RMR and CPM mechanisms ought to be informed by the CPUC RA Track 2 Decision (and perhaps the Track 3 Decision).

## **RMR**

- d. Develop an interim pro forma RMR agreement

**Comments:** [\[Insert comments here\]](#)

- e. Make RMR resources subject to a must offer obligation

**Comments:**

As noted above, IEP accepts that generators operating under an RMR contract will be subject to the MOO.

- f. Consider making RMR resources subject to the Resource Adequacy Availability Incentive Mechanism

**Comments:**

IEP is concerned that the CAISO proposes to make RMR resources subject to the RAAIM penalty, given that a RMR resource by definition has no substitute(s). RMR receive full cost-of-service compensation, and there is no incentive for them to not be available unless unit is taken out of service through no fault of its own. Accordingly, the proposal to impose a RAAIM penalty on unavailable RMR resources warrants further discussion.

- g. Consider whether RMR Condition 1 and 2 options are needed

**Comments:** [\[Insert comments here\]](#)

- h. Update rate of return for RMR compensation

**Comments:** IEP supports the CAISO proposal to update the ROR for RMR compensation. As a general principle, RMR is to be employed as “backstop” to LSE procurement (or in

cases of market power that is, in part, a reflection of inadequate procurement in alternative capacity resources). Under the current California market structure that depends on forward, bilaterally contracting to ensure adequate capacity is installed and available (versus, for example, a centralized capacity market), then the CAISO's backstop procurement mechanisms (RMR and CPM) must send strong market signals to incent forward, LSE procurement in a timely manner. Establishing a ROR as proposed helps achieve this end.

- i. Align pro forma RMR agreement with RMR tariff authority that provides ability to designate for system and flexible needs

**Comments:** IEP supports aligning the RMR agreement with the RMR tariff authority to designate units to meet system, local, and flexible capacity needs.

- j. Allocate flexible Resource Adequacy credits from RMR designations

**Comments:** IEP supports allocating Flexible RA credits associated with designated RMR units to LSEs benefiting from the flexible capacity. We note that the costs of RMR flexible capacity procurement ought to be allocated to all beneficiaries as well.

- k. Streamline and automate RMR settlement process

**Comments:** [Insert comments here]

- l. Lower banking costs associated with RMR invoicing

**Comments:** [Insert comments here]

## **CPM**

- m. Change CPM pricing formula for resources that file at FERC for a CPM price above the soft-offer cap price

**Comments:** IEP does not support changing the CPM pricing formula filed at FERC at this time. As noted above in the context of RMR, as a general principle, CPM is to be employed as "backstop" to deficient RA procurement by LSE's (individually and collectively). Under the current California market structure that depends on forward, bilaterally contracting to ensure adequate capacity is installed and available (versus, for

example, a centralized capacity market), then the CAISO's backstop procurement mechanisms (RMR and CPM) must send strong market signals to incent forward, LSE procurement in a timely manner. Retaining the existing soft-offer cap price is key to incenting forward LSE RA procurement to meet their full RA obligations and, thereby, mitigating the need to lean on the CAISO for backstop procurement.

- n. Evaluate if load serving entities are using CPM for their primary capacity procurement

**Comments:** The evidence of LSEs leaning on the CPM mechanism will be the extent to which the CAISO must employ CPM procurement to fill deficiencies in LSE forward RA procurement.

## 2. Other Comments

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

**Comments:** [Insert comments here]