

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
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The September 19, 2018 revised straw proposal and the presentation discussed during the September 27, 2018 stakeholder meeting 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 September 19, 2018 straw proposal.

**Reliability Must Run (RMR) and Capacity Procurement Mechanism (CPM)**

- a. Provide notice to stakeholders of resource retirements

**Comments:**

The California Independent System Operator (CAISO) has created an “Announced Retirement and Mothball List” but proposes a size threshold for informing stakeholders of updates to the list through CAISO’s existing Market Notices. The Revised Straw Proposal proposes to notify stakeholders only when a resource of 100 MW or greater sends a retirement notice that triggers a study by the CAISO.<sup>1</sup>

The Public Advocates Office agrees that a notice need not be sent if the list is modified by an event that does not require a CAISO study of the possible reliability impact associated with the event. However, the 100 MW threshold should be removed. Any change to the retirement list that necessitates a reliability study should trigger a market notice to stakeholders. The potential retirement of a resource in a constrained area may lead to stakeholder or CAISO

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<sup>1</sup> Revised Straw Proposal, p. 11.

responses through alternative procurement, regardless of whether it is a large resource, a single-unit 50 MW peaker, or a smaller generating resource.

CAISO appears to propose a 100 MW threshold in order to decrease the number of notifications sent through the Market Notices program, but it is unreasonable to require stakeholders to maintain daily vigilance over the retirement list in order to plan for changes to the grid which CAISO would be privy to. The Public Advocates Office notes that, as of this filing, the Announced Retirement and Mothball list has only been modified once since July 18<sup>th</sup> which begs the question of how burdensome such notifications would be.<sup>2</sup>

b. Use of RMR versus CPM procurement

**Comments:**

The Public Advocates Office appreciates CAISO's clarification that even if resources decline CPM designation, "if the resource wants to be considered for an RMR designation, the resource must submit a formal retirement notice to the ISO."<sup>3</sup>

California Public Utilities Commission (CPUC) staff raised a concern during the September 27<sup>th</sup> stakeholder meeting that resources requesting retirement may not actually be uneconomic and may simply be seeking the compensation provided by RMR agreements. For example, a resource that was not in fact uneconomic but that obtained compensation for capital expenditures through an RMR agreement could return to competitively participating in energy markets after the RMR agreement expires.

The Public Advocates Office shares similar concerns and recommends that the CAISO consider measures adopted by other Independent System Operators that encourage resource owners to only participate in RMR if they intend to retire. For example, the New York Independent System Operator (NYISO) requires resource owners to submit detailed information on its costs

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<sup>2</sup> CAISO provided an update to the Announced Retirement and Mothball list on October 23, 2018. <http://www.caiso.com/planning/Pages/ReliabilityRequirements/Default.aspx>

<sup>3</sup> Revised Straw Proposal, p. 14.

and revenues that demonstrate that retirement is the economic choice for the generator.<sup>4</sup> If the resource owner rescinds its retirement notice or does not actually retire or mothball their unit (if it is not operating under an RMR agreement), the resource owner must reimburse the ISO and Responsible Transmission Owner(s) the actual costs that each incurred in performing their responsibilities in response to the retirement notice.<sup>5</sup> If the resource owner received compensation for all or a portion of the cost of a capital expenditure that was necessary to provide service during the term of an RMR Agreement and seeks to return to participation in the energy markets after the agreement ends, it has a repayment obligation before the NYISO will permit participation.<sup>6</sup> The adoption of similar measures by the CAISO could discourage resource owners with economic units from gaming the Resource Adequacy (RA) market to obtain more lucrative RMR agreements.

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

**Comments:**

No Comment

**RMR**

- d. Develop interim pro forma RMR agreement

**Comments:**

No Comment

- e. Update certain provisions of pro forma RMR agreement

**Comments:**

No Comment

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<sup>4</sup> NYISO Open Access Transmission Tariff (OATT) Appendix B – Generator Deactivation Process Cost, Revenue, and Other Information Requirements

<sup>5</sup> NYISO OATT Section 38.14.2.

<sup>6</sup> NYISO Market Administration and Control Area Services Tariff (MST) Section 15.8.7.

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

**Comments:**

The Public Advocates Office supports CAISO's proposal to apply a Must Offer Obligation (MOO) to RMR resources to bid into energy and ancillary services markets. Applying a MOO will better integrate RMR resources in the energy markets and align treatment of the resources with RA requirements, ensuring ratepayers receive the most benefit from the resources they pay for.

CAISO should provide more detail on the development of Major Maintenance Adders (MMA) that would be reflected in bids, such as what maintenance activities it would include. MMAs would allow the RMR resource to recover costs of increased dispatch and increase the bid price for the unit which would decrease possible dispatch. CAISO should clarify what costs should be included in MMAs as opposed to capital costs recorded in Schedule L of the RMR agreement to ensure no duplicative cost recovery for the same maintenance. CAISO acknowledged that the Public Advocates Office has previously raised this concern.<sup>7</sup>

- g. Make RMR resources subject to the Resource Adequacy Availability Incentive Mechanism

**Comments:**

No Comment

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

**Comments:**

CAISO proposes to make Condition 2 the default RMR agreement, but allow the resource owner to negotiate a Condition 1 agreement "at the ISO's discretion, and in limited circumstances when appropriate."<sup>8</sup> From the discussion at the stakeholder meeting, it is not clear under what limited circumstances the use of Condition 1 would be appropriate.

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<sup>7</sup> Review of RMR and CPM Straw Proposal, June 26, 2018, p. 9.

<sup>8</sup> Revised Straw Proposal, p. 24.

Given CAISO's proposal to apply a MOO, which would require bidding in the energy markets, it is not clear what benefit Condition 1 agreements will provide. CAISO should clarify the limited circumstances under which Condition 1 agreements would be appropriate and beneficial for ratepayers and the generator.

- i. Update rate of return for RMR compensation

**Comments:**

No Comment

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

**Comments:**

Discussion during the stakeholder meeting included questions on what additional technical studies the CAISO would perform before designating a resource as RMR based on system and flexible needs. CAISO should clarify the applicable reliability criteria it will use and what technical studies it will perform to determine whether the criteria are met.

- k. Allocate flexible Resource Adequacy credits from RMR designations

**Comments:**

The Public Advocates Office continues to support allocation of flexible RA value for RMR resources. However, it is not clear why the CAISO proposes that the resource owner must agree to fulfill flexible RA requirements rather than requiring the resource owner to fulfill such requirements. Procuring a resource for RMR without ensuring procurement of the available flexible capacity would strand the flexible RA value of that resource and could lead to additional ratepayer costs to meet flexible RA requirements. The CAISO should simply procure and allocate the system, local and flexible RA for any resource it designates as RMR.

- l. Streamline and automate RMR settlement process

**Comments:**

No comment.

- m. Lower banking costs associated with RMR invoicing

**Comments:**

No comment.

**CPM**

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

**Comments:**

No Comment

- o. Evaluate year-ahead CPM local collective deficiency procurement cost allocation to address load migration

**Comments:**

No Comment

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

**Comments:**

No Comment

**Other Comments**

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

**Comments:**

No Comment