RMR CPM Final Proposal - Stakeholder Comments

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) offers the following comments on the California Independent System Operator (CAISO) RMR CPM Final Proposal[1].

SCE reiterates its request for a market power mitigation test for the annual CSP

The CAISO should implement a three pivotal supplier test for the annual CSP. If the test is failed, the CAISO should pursue an RMR agreement. The CAISO has not demonstrated that the soft offer cap leads to competitive outcomes, especially given the predilection of annual CPM awards to be close to or at the soft offer cap.

The 2017 Annual RA report from the CPUC shows that the weighted average price for RA ranges from $2.46 – $3.37/kW-month for system RA while local ranges from $2.22 – $3.48/kW-month depending on which local area. Under the CAISO proposal, a resource will be paid its bid price and will be allowed to keep market rents. The same construct as would be contracted bilaterally through an RA tag. For the price cap to range from 2 to nearly 3 times this value, is an ineffective mechanism to prevent market power exertion for a contract lasting 12 months. SCE therefore believes that the CAISO should demonstrate that market power does not exist in a Competitive Solicitation Process to ensure a just and reasonable outcome.

Payments for CPM when the resource bids above the Soft Offer cap

The CAISO's intent to file an alternate proposal is a positive development.

The CAISO should extend RAAIM to 24 hours for RMR resources

[1] http://www.caiso.com/Documents/DraftFinalProposal-ReliabilityMust-RunandCapacityProcurementMechanismEnhancements.pdf

As the CAISO acknowledged in their presentation, RMR provides elements and services beyond that of RA. As such, SCE does not object to paying the resources its annual fixed revenue requirement plus a reasonable rate of return. However, in exchange, SCE believes that doing so means that the CAISO has purchased, on behalf of load, the ability to economically dispatch that resource to satisfy load needs. In doing so, the resource recovers its variable costs and the load that has paid to make the resource available gets the benefit of the energy. While the CAISO has stated a desire to simplify the process of evaluating performance of an RMR and utilizing the RAAIM methodology would address that goal, it fails to recognize the fundamental difference between an RMR resource and an RA resource.

For these reasons, SCE asks that the CAISO assess the availability assessment hours for RMR resource to be all hours of the day rather than limit it to the current hours for system and flexible resources. Doing so will recognize the unique characteristics of an RMR contract and better align with ensuring that the value of the contract is delivered.

SCE opposes the CAISO proposal to change RMR cost allocation unless amended

The RMR agreement is typically intended to address transmission issues, hence has been cost allocated to PTOs. As such, the current cost allocation method has been appropriate for RMR costs addressing transmission issues. Now, by subsuming ROR authority under RMR, SCE understands there may be a need to change the cost allocation for that particular need as the ROR is not addressing a transmission issue. SCE believes the current cost allocation system to be appropriate for all non-Risk of Retirement RMR needs. As such, SCE opposes the current proposal which would allocate all RMR costs, regardless of the need for the RMR, on an LSE basis.

SCE would only support a change in the cost allocation if the CAISO were to identify the cause of the RMR and then allocate costs for transmission based RMR procurement to the PTO and allocate costs for ROR based RMR contracts to all load.

The CAISO should reconsider its proposed mothball/retirement affidavit

SCE supports a resource being allowed off the retirement path, back to participate as a market resource under certain circumstances. However, as voiced during the January 30 meeting, only a resource-specific market contract should be allowed as a criterion. This would allow an RA contract or a contract specific to the resource that is necessary to make its continued operation feasible to qualify and provide meaningful limits to ensure that the RA process can meaningfully proceed without RMR for risk of retirement becoming a front-stop rather than the intended back-stop.