San Diego Gas & Electric Comments

Capacity Procurement Mechanism Soft-Offer Cap

Submitted by	Organization	Date Submitted
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Please provide your organization's comments on the following issues and questions.

1. **Updating the soft offer cap**

   Please provide your organization's feedback on the update soft-offer cap topic as described in section 4.1 of the issue paper. Please explain your rationale and include examples if applicable.

   Please indicate any analysis and data review that your organization believes would be helpful to review on this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

   Due to the revisions in the RMR-CPM enhancements initiative, SDG&E believes the CAISO should no longer consider the use of going forward costs of new generation. Originally, one of the options of CAISO's CPM authority was to backstop certain resources from retiring in order to maintain reliability. The CPM risk of retirement (ROR) option has now been merged with the CAISO's new RMR portion of the Tariff. Therefore, the CAISO's CPM soft offer cap should no longer be based on the cost of new generation as preventing a resources from retiring does not have to be covered by CPM. Rather, SDG&E believes that the CPM soft offer cap should be limited to the going forward costs of the existing resources. This ensures that these resources will receive their necessary fixed costs while providing capacity to the CAISO. The CAISO may be able to request all resources for their fixed operating costs including major maintenance costs in the previous 5 years to calculate the CPM soft offer cap for that year. It is not appropriate for resources to retain market revenues because the amount is not known and would vary greatly between resources depending on where they are in the dispatch stack so would be highly discounted by resources bidding into the CSP. The 20% adder is appropriate because it could be based on actual historical information from existing resources.

2. **Assessing payment for 12-month CPM designations**

Please provide your organization's feedback on the 12-month CPM designation payment assessment topic as described in 4.2 of the issue paper. Please explain your rationale and include examples if applicable.

Please indicate any analysis and data review that your organization believes would be helpful to review on this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

SDG&E believes the lack of competition is due to the fact that the CPM process is voluntary and that suppliers know they may be selected at the soft offer cap even when they do not submit an offer. It is also possible that suppliers were not able to submit a full 12-month CPM offer because they were contracted to an LSE for only a part of the year. The CAISO can provide information to stakeholders on how much capacity in MWs could have provided a full 12-month offer by reviewing all of the resources submitted in the year ahead supply plan and comparing it to the list of resources on the NQC list. The CAISO can additionally differentiate this dataset by providing the information based on local areas. This would provide analysis on whether a 3 pivotal supplier test is needed in a Local area.

The CAISO should provide a review of its designation process. Does the CAISO exercise its CPM authority only when capacity is deficient for a full 12-months or on a monthly basis? Has there been shortfalls in which the CAISO has not elected to exercise its CPM authority? If the CPM decision process is not certain, suppliers may have no incentive to provide the offers.

The RMR-CPM enhancements initiative created a gap for 12-month CPM designations that could be refused by resources that did not bid into the CSP. Relying on exceptional dispatch lowers reliability is why it is not used to eliminate all RA requirements. Also the CAISO tariff should not result in different payments for providing the same capacity with the same must offer obligations from 12-month RMR and CPM. 12-month CPM may have to be a special case that receives compensation like RMR.

3. CPM bids above the soft-offer cap

Please provide your organization's feedback on the CPM bids above the soft-offer cap topic as described in 4.3 of the issue paper. Please explain your rationale and include examples if applicable.

Please indicate any analysis and data review that your organization believes would be helpful to review on this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

Given the potential monthly nature of CPM designations and the differentiation when compared to 12-month RMR and identical 12-month CPM, SDG&E believes the resource should have to prove to FERC that its going forward fixed costs plus 20% are above the soft offer cap as suggested above by SDG&E.

Additional comments

Please offer any other feedback your organization would like to provide on the issue paper for the CPM Soft-Offer Cap issue paper.

To the extent a resource is backstopped by the CAISO, SDG&E believes that the CAISO should receive the flexible RA attribute from that resource. This would create a MOO to require the resource to bid rather than self-schedule into the CAISO's markets. This process would help better integrate variable energy resources in the CAISO's markets.

SDG&E also believes that CAISO should review its CPM allocation process to account for intra-year load migration to ensure LSEs have accurate cost allocation based on updated load share ratios for a collective deficiency.