

Stakeholder Comments Template

| Submitted by | Company | Date Submitted |
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| Bonnie Blair bblair@thompsoncoburn.com 202-585-6905 | Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California ("Six Cities") | April 10, 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 April 10, 2018 by 5:00pm

The Draft Final Proposal for Phase 1 Items and Items under Consideration for Phase 2 that was posted on March 13, 2018 and the presentation discussed during the March 20, 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 items listed below and any additional comments that you wish to provide.

1. Comments on phase 1 draft final proposal to make RMR units subject to a must-offer obligation.

Please indicate whether you support the draft final proposal. If you oppose the draft final proposal, please indicate the reasons for your opposition.

Comments: The Six Cities strongly support application of a must offer obligation for Energy and AS to RMR Condition 1 and 2 resources. Conceptually, RMR resources receive compensation for capacity costs to ensure that they remain available to the ISO's markets. In the context of Resource Adequacy capacity and capacity procured under the ISO's Capacity Procurement Mechanism, the ISO assesses availability through compliance with must offer obligations. For the same reasons that must offer obligations apply to RA capacity and CPM capacity, RMR resources should be required to comply with must offer obligations for any and all products that the RMR resource is capable of supplying.

2. Comments on phase 1 draft final proposal for ISO to provide notification to stakeholders that a resource is planning to retire.

Please indicate whether you support the draft final proposal. If you oppose the draft final proposal, please indicate the reasons for your opposition.

Comments: The Six Cities also support this aspect of the Phase 1 draft final proposal.

3. Comments on potential phase 2 items.

Section 8 of the March 13, 2018 paper discusses the items that may be candidates for phase 2 of this initiative. It includes items suggested by both the ISO and stakeholders. The ISO requests that stakeholders comment on the priorities for these potential phase 2 items.

Comments: The Six Cities attach the highest priority for Phase 2 to the following:

- Review allowed rate of return on capital for RMR and CPM compensation (March 13, 2018 paper at 19-20) - - The stated 12.25% return on capital allowance currently in place is outdated and excessive under current capital market conditions.
- Restructuring/consolidation of backstop procurement for resources at risk of retirement - - To reduce the risk of inconsistency in treatment of similarly-situated resources or in resolution of reliability needs, the Six Cities support a comprehensive review of the CPM and RMR mechanisms for backstop capacity procurement by the ISO with an objective of clarifying and rationalizing the processes. Such a comprehensive review/restructuring of the ISO's backstop procurement authority for resources at risk of retirement should include the following related topics identified as potential Phase 2 items: (i) Clarify when RMR is used versus CPM procurement (March 13, 2018 paper at 19); (ii) Explore whether RMR and ROR CPM can be merged into one backstop procurement mechanism (*Id.*); (iii) Consider whether both Condition 1 and 2 Units are still needed (*Id.* at 20); and (iv) Expand designation authority to include flexibility needs (*Id.* at 22).

4. Other Comments

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

Comments: At the top of page 20 of the March 13, 2018 Proposal, the ISO identifies as an item under consideration for Phase 2 “Explore expanding ISO’s tariff authority regarding LCR criteria as well as integration of renewable resources.” The description of the topic that follows is overly general and vague and does not provide sufficient information about the nature of potential tariff revisions the ISO may wish to consider under this topic. The Six Cities recommend that the ISO either describe the topic with greater clarity and specificity or delete the topic from the list of items under consideration for Phase 2 of the initiative.