

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
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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.

### **RMR and CPM**

- a. Provide notice to stakeholders of resource retirements

**Comments:** No comment.

- b. Clarify use of RMR versus CPM procurement

**Comments:**

The ISO has done a good job at explaining the functional differences between RMR and CPM and its intent to ensure each mechanism functions for its intended purpose. The CAISO has explained why, how, and when an RMR designation will be used versus a CPM designation.

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

**Comments:** No comment.

## **RMR**

- d. Develop an interim pro forma RMR agreement

**Comments:** No comment.

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

**Comments:**

It is WPTF's understanding that the ISO's intention is to clearly distinguish between why and when RMR is used versus CPM designations. However, WPTF remains concerned that the ISO's proposal is still muddling the line between RMR and CPM by applying an at-cost must offer obligation on RMR resources. A must-offer obligation is established when the market is unable or unlikely to provide sufficient incentives for resources to optimally participate. A must-offer obligation will prevent the opportunity for physical withholding to increase market prices or ensures reliability through the resource adequacy construct. Given that the CAISO has clearly indicated RMR is not RA, this appears counter to the intention of must-offer-obligations and thus crosses the RMR construct into the RA paradigm.

As previously noted, applying a must-offer-obligation on RMR resources that are indifferent to market revenues would adversely impact market prices; requiring the resources bid in at an CAISO estimated cost during all hours will suppress market revenues. WPTF is struggling to understand the concept of requiring resources that are identified as needed for grid reliability – e.g., system conditions that may materialize for a small subset of hours each year – in such a way that could adversely impact prices every hour of the year. WPTF questions if this is a workable structure.

WPTF supports having availability incentives in place for RMR resources but reiterates that imposing a MOO and subsequently applying RAAIM is not the best way to provide such incentives; the CAISO should explore other modifications. Thus, WPTF asks that in the next iteration, the CAISO discuss (1) the pricing impact of the current proposal and (2) other alternative incentive structures, such as those WPTF included in previous comments.

Additionally, for the CAISO to impose a must offer obligation at a specific price (i.e. CAISO estimated cost), seems very close to fully mandating exactly how the resource must participate, which seems counter to the CAISO retaining independence.

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

**Comments:** No comment.

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

**Comments:** No comment.

- h. Update rate of return for RMR compensation

**Comments:** No comment.

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

**Comments:** No comment.

- j. Allocate flexible Resource Adequacy credits from RMR designations

**Comments:** No comment.

- k. Streamline and automate RMR settlement process

**Comments:** No comment.

- l. Lower banking costs associated with RMR invoicing

**Comments:** No comment.

## **CPM**

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

**Comments:** No comment.

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

**Comments:** No comment.

## 2. Other Comments

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

**Comments:** WPTF supports the CAISO's direction to better differentiate between the CPM and RMR designations and believes the CAISO has done a good job clarifying the difference. However, WPTF believes this proposal does not represent the holistic review of RMR/CPM the CAISO committed to conducting at FERC.