Stakeholder Comments Template

Flexible Capacity Procurement
Draft Final Proposal, July 26, 2012

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the Flexible Capacity Procurement: Risk of Retirement Draft Final Proposal on July 26, 2012, and issues discussed during the stakeholder meeting on August 2, 2012.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to fcp@caiso.com no later than the close of business on August 10, 2012.

1. The ISO has identified nine principles that will guide the development of the Flexible Capacity Procurement stakeholder initiative.

    a. Are the guiding principles outlined in the issue paper appropriate?

We believe that the guiding principles are appropriate, especially those which emphasize the minimization of backstop procurement mechanism.

    b. Are there additional guiding principles the ISO should consider? Please provide any additional guiding principles your organization believes should be included and why your organization believes the additional guiding principles are important.

The ISO should consider including a principle which emphasizes a future where these resources are eventually retired and replaced with other forms of flexible capacity which reflect State procurement and loading order preferences, and to avoid creating market subsidies that conflict with this goal.

2. The ISO has proposed using a five year outlook and a one day loss of load in ten years for flexibility needs and applicable NERC reliability criteria local needs to defining the need for Flexible Capacity Procurement – Risk of Retirement. Are these the appropriate a) outlook time frame and b) the correct metric to identify a shortage (please specify how you interpret the one-in-ten metric)? If not, please provide comment regarding what timeframe and metric the ISO should use.

These are an appropriate time frame and metric.

3. Many stakeholders have asked for additional clarity regarding the ISO use of prudent planning assumptions. Please provide comments regarding what your organization believes are considered prudent planning assumptions for use in the ISO's needs assessment.

The Clean Coalition supports the ISO's appropriately cautious modeling so as to identify possible scenarios in which resource shortages may exist, and we believe the ISO should develop plans for such circumstances, it would be imprudent and unnecessarily costly to adopt unlikely scenarios as planning assumptions for actual procurement commitments.

The ISO should clearly and overtly compare needs assessments derived from previous planning assumptions against actual realized needs under comparable circumstances and adjust the results up or down accordingly.

Where variations in resource and demand scenarios indicate differences in resource procurement needs, the ISO should continue to evaluate which scenarios are actually being realized in practice and adjust its modeling and interim needs assessment to reflect this.

4. Some stakeholders have expressed concerns regarding the ISO's proposed timeline for making Flexible Capacity Risk of Retirement designation. Please provide comments regarding any changes your organization feels are needed to the proposed timeline.

The Clean Coalition does not have a comment at this time.

5. Some stakeholders have requested the ISO allow a cure period that would allow LSEs to procure a resource prior to the ISO issuing Flexible Capacity Risk of Retirement designation. Is cure period desirable? If so, how long should the ISO allow for a cure period?

A cure period would be desirable. This would allow LSE's to develop other forms of flexible capacity, including demand response and energy storage. We defer to the LSEs as to an appropriate cure period.

6. The ISO has proposed that to compensate a resource based on the lesser of costs to place a resource into long-standby or going forward costs. However, some parties have expressed concern that compensation based on long-term standby costs is not a viable solution. Please provide comments regarding whether your organization believes such compensation mechanism is or is not viable. Why?

The Clean Coalition does not have a comment at this time.

7. The ISO has proposed a cost-based minimum revenue guarantee that would claw back all net energy market revenues while the resource is under Flexible Capacity Risk of Retirement designation. Additionally, the DMM has provided additional options compensation mechanisms. Please provide comment regarding the compensation for each of the proposed compensation mechanisms.

    a. ISO current proposal that covers costs with 10% cost adder and clawback actual net market revenues

    b. DMM option that covers costs and allows the resource to keep some portion of actual net market revenues

    c. DMM option that does an upfront assessment of expected net market revenues and bases compensation based on costs – expected net market revenues

The Clean Coalition does not have a comment at this time.

8. Several stakeholders have asked for additional details regarding specific costs that may or may not be covered as part of the minimum revenue guarantee. Please provide specific costs that your organization believes should and should not be covered as part of the minimum revenue guarantee (please expand the table below if more space is needed).

Should be covered	Should Not Be Covered

The Clean Coalition does not have a comment at this time.

9. The ISO seeking stakeholder input regarding the most appropriate manner to address cost risk that occurs during the year of designation. How should the ISO's proposed compensation include potential unforeseen costs while the resource is under a Flexible Capacity Risk of Retirement designation.

We defer to others for the best answer to this question.

10. The ISO propose to have a single year designation with no requirements after the designation expires. However, some stakeholders have expressed concern that there is no guarantee that resource would then be there for the year of need. Is it appropriate to limit any requirements to the term of the designation, or should there be some other requirements or obligation to ensure the resource is available during the year of need once a designation has been made. If requirements or obligations should be required, what form should they take?

The Clean Coalition believes that the terms should include the option on behalf of the ISO to extend the contract through the identified year of need, contingent upon unforeseen costs and compensation terms, in order to assure value to the ISO and ratepayers. At the same time, the ISO should provide flexibility to facility owners, such as release from contract extension requirements with 12 months notice and reimbursement to the ISO of some or all related payments received, as determined by the ISO.

11. The ISO proposes to allocate costs of Flexible Capacity Risk of Retirement designations for flexible resources to all load based on a load ratio share and for local resources based on load ratio share to all LSEs that serve the TAC area. Is this the appropriate cost allocation methodology? If not, what alternative might the ISO consider?

The Clean Coalition does not have a comment at this time.

12. Some parties have expressed concern with potential overlap between the current Flexible Capacity Risk of Retirement proposal and the ISO's existing CPM tariff authority. Please provide comment regarding the ISO's proposed clarification regarding CPM and Flexible Capacity Risk of Retirement provisions.

The Clean Coalition has no concerns on this issue.

13. Please comment on any other issues not previously addressed that your organization feels the ISO must address as part of phase one of this initiative.

Although we believe that CAISO should have the authority to designate backstop flexible capacity, the Clean Coalition's view is that other forms of flexible capacity, including demand response and energy storage are able to provide for many of the needs that CAISO has foreseen in the near future. Any Risk of Retirement compensation directed toward conventional facilities necessarily expends funds that could instead be spent to increase lower emission flexible capacity.

The Clean Coalition is particularly concerned that delaying retirement of existing facilities not also delay development of the market for preferred sources of flexible capacity, in alignment with California's preferred loading order and procurement. Existing facilities are both largely dependent upon out of State fuel purchases and contribute greatly to emissions and associated costs born by businesses, residents, and governments throughout the State, especially in the regions failing to meet air quality standards, where capacity shortfalls are also most anticipated.

While it is appropriate to require facilities receiving Risk of Retirement compensation funds to bid into the Resource Adequacy market, it is essential that these facilities' compensation be reduced dollar for dollar when other revenues support continued operation. This is necessary so as to avoid such compensation effectively subsidizing below market bids to the detriment of market development for preferred new resources.

Even now, the rollout of smart meters across California territories and the accompanying tariffs such as PG&E's 'SmartRate' have provided vast amounts of potential demand response to be tapped. Although the proposal has provided many solutions to minimize the use of the risk of retirement designation, CAISO should consider adding a step to explore whether these preferable flexible capacity options may be available in the area affected before making a risk of retirement designation.