Calpine multi-year RA proposal

Overview

- Use the CPM Annual Competitive Solicitation Process (CSP) as the "central buyer"

- Move Annual CSP earlier in the year to provide a runway to suppliers

- Allow LSEs to rely on Annual CSP to meet their own local requirements
  - Option 1: Residual
    - Voluntary bilateral procurement with Annual CSP meeting residual requirements
  - Option 2: Centralized
    - Annual CSP satisfies all local requirements

- Disaggregate local requirements
  - Only necessary in Option 1

CPM CSP

- CSP exists
- CSP is transparent
  - IOU or state agency RFO process would not be transparent
- CSP yields reasonable compensation
  - Compensation capped at soft cap price ($6.31/kW-month) or cost-of-service
- CSP aligned with CAISO reliability requirements
- CalCCA proposal also utilizes CSP

Required CPM tariff changes

- Multi-year forward
- Allow reliance on CPM
- Cost allocation?
- No more collective deficiencies
  - Option 1/Residual: every LSE required to meet the most granular local requirements so no such thing as collective deficiency
  - Option 2/Centralized: Annual CSP meets all need so every need reflects a collective deficiency
- Procure flexible attributes with local capacity?
  - Account for value of flexibility if Annual CSP is limited to local
- Remove CAISO discretion to close reliability gaps. (May be addressed by CAISO ERR proposal.)

Timing

- In Calpine proposal, Annual CSP would take place in June to provide suppliers with ~6 months notice that they are procured
  - After aggregate LCRs but before LSE-specific LCRs are known
  - Consequently, bilateral procurement before Annual CSP would be voluntary

- CAISO proposal to start RA year in April could provide same runway with current Annual CSP timing

Residual v. centralized

- Option 1 is residual=combination of bilateral and centralized procurement (same as SDG&E, CalCCA, PG&E transition proposal)
  - Fewer changes to current compliance process
  - Potential for uncoordinated/inefficient procurement
    - Could be addressed through disaggregation
  - Compliance more complex
  - More difficult to manage load migration
    - Requires bilateral trading between old and new LSEs
    - Potentially necessary to track what was procured centrally on behalf of whom
  - Retains value of preexisting procurement?

- Option 2 is fully centralized=centralized procurement meets all requirements (same as ED, PG&E, SCE, capacity market proposals?)
  - Greatly simplifies compliance
    - No need for LSE showings
  - Facilitates load migration
    - Cost allocations are uniform so easy to adjust to follow load
  - LSEs realize the value of preexisting procurement by selling

Disaggregation

- Desirable if local requirements continue to be satisfied bilaterally
  - Encourages LSEs to buy the right resources
  - Allows costs of right resources to be shared equitably
- Full disaggregation to sub-areas likely impractical
  - 7 areas and 29 sub-areas in PG&E (PG&E transition proposal disaggregates to local *areas* but not *sub-areas*.)
- Bilateral requirements less than 100% of need may allow central procurement to meet more granular requirements (Similar to CalCCA)
- CalCCA proposal to allow an LSE to get credit for procuring ERR capacity in excess of their peak load share provides similar incentives to full disaggregation
  - Effectively disaggregates local requirements into two buckets: ERR and other
- Rules regarding availability of capacity
  - LSEs required to make capacity that is excess to their own local capacity requirements available to the market? (PG&E transition proposal has a mechanism to address partially.)