ORA RA Proposal

Cindy Li

February 22, 2018

Costly Backstop Procurement for 2018

Resource	Capacity in megawatts (MW)	RMR or CPM	Estimated Annual Cost in millions
Feather River Energy Center (1)	47	RMR	$4.5
Yuba City Energy Center (1)	47	RMR	$5.5
Metcalf Energy Center (1) (2)	570	RMR	$83.4
ENCINA_7_EA4	272	CPM	$20.6
ENCINA_7_EA5	273	CPM	$20.7
Moss Landing 2 PSP1	510	CPM	$37.9
Total Cost			$172.6

1. The cost includes Annual Fixed Revenue Requirements for each plant and the annual cost of capital additions, it does not include the variable and depreciation costs of the facilities.
2. Metcalf's net qualifying capacity ranges from 570 MW to 593 MW.

Track 1 Scope

RA program reforms are necessary to maintain reliability while reducing potentially costly backstop procurement.

- May be addressed via staff and party proposals.
- May include central buyers, a multi-year procurement framework for Local RA (and associated cost allocation), as well as other proposals to address out-of-market procurement and increase transparency.

ORA's Proposal

- CAISO should conduct analyses on resources essential for reliability.
- An LSE or coalition of LSEs would procure the resource on behalf of all LSEs in the locally constrained areas.
- Appropriate cost allocation mechanism and process are needed.
- CAISO analyses would also inform future procurement in the IRP proceeding.

Requirements for CAISO Analyses

- Determine which resources are essential for reliability and which can retire, if they choose to do so.
- Focus on resources in sub-areas and local areas.
- Look in the year ahead and two year ahead timeframe to address potential RMR, CPM Year Ahead and CPM ROR.
- Determine the basis of the need for the resource and how long it will persist.
- Identify resource characteristics and mix of alternative resources and transmission solutions that can address the reliability need.

Process for CAISO Analysis

- Begin conducting studies as soon as possible.
- Keep information confidential - limit access to the CPUC, ORA, and other non-market participants that can sign confidentiality agreements to avoid informing resource owners of any potential market power.
- Submit studies into RA proceeding.
- CAISO can track the reliability need through its Local Capacity Technical study process and submit any updates into the RA proceeding.

LSE Procurement

- If CAISO identifies a resource that is essential for reliability in a local area or sub-area with multiple LSEs, the LSE or coalition of LSEs with the greatest local RA requirement in the area should be responsible for procuring the resource.
  - If entities have equal local RA requirements, they can reach an agreement or seek Commission guidance
- Responsible entity would hold meetings with Energy Division, ORA and other non-market participant stakeholders.
- Provide information on the resource bids compared to CAISO backstop procurement costs.

Benefits of Informed Procurement

- Benefits of the procured resource allocated to LSEs in the local or sub-area
- Allows LSEs to incorporate the benefit of the resource when conducting own procurement, thereby meeting RA requirements at least cost
- Reduces potential for an LSE to meet its RA requirement and still pay additional costs for CAISO backstop procurement
- Allows consideration of multi-year contracts

Appropriate Cost Allocation Mechanism and Process are Needed

- CAM is intended for development of new resources.
- PCIA subject of an ongoing proceeding.
- Do any current mechanisms address potential for LSEs other than the IOUs to procure and the subsequent process for cost allocation?

Coordination with IRP

- CAISO would submit the information into the IRP proceeding as confidential documents.
  - If resources are essential for reliability beyond 2 years
  - Commission or CAISO has not already approved a solution to address the need.
- Commission can consider how to incorporate the information in its modeling of local areas and coordinate with the Transmission Planning Process to compare alternative solutions.
- LSEs can use the information to develop their individual IRPs and target procurement in constrained areas and introduce competition.