



IEP PROPOSAL FOR A MULTI-YEAR RA FRAMEWORK

CALIFORNIA PUBLIC UTILITIES COMMISSION

Resource Adequacy Workshop

JULY 19, 2018

IEP MULTI-YEAR RA FRAMEWORK

| | One- Year Forward | Two-Years Forward | Three- Years Forward | Four- Years Forward | Five-Years Forward |
|---|----------------------------------|------------------------------|-------------------------------------|------------------------------------|-------------------------------|
| Local RA Obligation*: Each Month of Compliance Year | 100% | 95% | 90% | 85% | 80% |
| Flexible RA Obligation: Each Month of Compliance Year | 90% | 90% | 90% | 85% | 80% |
| System RA Obligation*: 5 Peak Summer Months (May-Sept) | 90% | 90% | 90% | 85% | 80% |

WHY 5-YEARS FORWARD?

- ▶ Market Uncertainty/Turmoil: Highest In Nearly 20 Years
- ▶ 3 Years Does Not Provide Sufficient Transparency on Who Is Doing What, When, and Where
- ▶ 5-Years Provides Needed “Reliability Bridge” to De-carbonized Future (IRP)
- ▶ Market Stability/Certainty Helps Consumers, Generators, and Emerging Technologies

Why Obligation Set At No Less than 80%?

- ▶ **Forward Obligation Must Be Meaningful:** Evidence suggests 80% is reasonable lower bounds in light of past practices and variability in LCR load forecasts. Lower than 80% will not have meaningful impact.
- ▶ **Declining Obligation 5%/Annum To 80% In Year 5 Enables Reasonable Load Shift Among LSEs:** If LSE load shifts greater than 20% of forecast load, then all the more reason to establish forward obligation.
- ▶ **Risk of Stranded Cost Mitigated Through LSE Opportunity to Buy/Sell Excess RA (as is current practice):** Commission should focus on maximizing liquidity of RA in market (e.g. electronic bulletin board) rather than shortening duration of multi-year framework. IOUs should be authorized to sell to LSEs excess RA for terms matching duration of Framework.

Why All RA Products (System, Local, Flexible)?

- ▶ Reliability Is More Than Local
- ▶ Setting Standards Across All RA-products Enables More Efficient Procurement/Contracting
- ▶ LSEs Continue To Buy Bundled and/or Unbundled As They Desire

5-Year Forward Contributes to “Holistic” Reform of RA, RMR, CPM

| “Holistic” Proposal | |
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| CPUC Five - year RA Framework | <p>Multi-year Forward RA Requirements adopted by Commission. All CPUC Jurisdictional LSEs (e.g. IOUs, CCA, ESPs) subject to the requirement.</p> <p>Applies to System, Local, and Flex RA.</p> <p>Multi-year RA Requirement presumed to be the sole vehicle to address “risk of-retirement” (ROR) resources.</p> |
| CAISO CPM “Backstop” RA Procurement | <p>CAISO “RA Backstop” CPM procurement authorities are limited to the following:</p> <ul style="list-style-type: none"> ■ “RA Backstop” to cure RA deficiencies. (Maintains status quo) ■ “Exceptional Dispatch.” (Maintain status quo) <p>Proposed Change: CAISO no longer authorized to procure to address Risk-of-Retirement (ROR)</p> <p>CPM cost compensation mechanism is status quo: (a) competitive pricing; (b) soft-offer price cap, and (c) right of EG to seek cost-of-service in special circumstances.</p> <p>CAISO CPM contracting limited to one-year, i.e. the end of the calendar year after the current RA compliance year.</p> |
| CAISO RMR | RMR contracting limited to market power mitigation. |
| Generator Owner Right to Retire | Generators have right to retire upon 6 months <i>Public Notice</i> . |
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