

Capacity Procurement Mechanism Soft Offer Cap Final Proposal - Stakeholder Comments

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) offers the following comments on the California Independent System Operator (CAISO) Capacity Procurement Mechanism (CPM) Soft Offer Cap Final Proposal¹.

Without additional measures to address market power, SCE does not support the CAISO proposal

Three pivotal supplier test

SCE echoes the concerns of other participants during the stakeholder call, and does not understand why the CAISO has changed course on its earlier proposal to implement a three pivotal supplier test for the 12-month CPM.

The CAISO simply states (emphasis added),

“After careful consideration, the ISO determined that the proposed methodology for market power mitigation **included significant market inefficiencies and would be potentially administratively burdensome** for the ISO. It **would also blur the line between RMR and CPM** procurement by making CPM designations more like RMR, which the CAISO deliberately sought to avoid in the RMR-CPM enhancements initiative.”

SCE urges the CAISO to identify the significant inefficiencies as well as quantify the administrative burden relative to the cost of uncompetitive outcomes in a solicitation process. The CAISO should detail why it believes the proposal would also blur the line between RMR and CPM, when no such argument was offered in discussing a pivotal supplier test at the FERC². SCE is further concerned that the CAISO has decided not implement a market power test, in spite of their own market monitor, the DMM, supporting the need for such a test³.

¹ <http://www.caiso.com/StakeholderProcesses/Capacity-procurement-mechanism-soft-offer-cap>

² Page 119. <http://www.caiso.com/Documents/Apr22-2019-TariffAmendment-RMR-CPMEnhancements-ER19-1641.pdf>

³ <http://www.caiso.com/InitiativeDocuments/DMMComments-CapacityProcurementMechanismSoftOfferCap-StrawProposal.pdf>

Level of soft offer cap

Finally, SCE is concerned that the CAISO has not considered the DMM's thorough analysis of the outlier nature of the CEC 2014 and 2018 estimates⁴. The DMM clearly demonstrated, comparing against 18 other sources, that the CEC 2014 and 2018 estimates are outliers. The sample comprised estimates from consulting subject matter experts, government agencies, IRPs, and laboratories. In contrast, the CAISO's response is confined to two CEC data points.

⁴ <http://www.caiso.com/InitiativeDocuments/DMMSupplementalComments-CapacityProcurementMechanismSoftOfferCap-StrawProposal.pdf>