



## Stakeholder Comments Template

### Capacity Procurement Mechanism Soft-Offer Cap

This template has been created for submission of stakeholder comments on Capacity Procurement Mechanism (CPM) Soft-Offer Cap that was published on May 30, 2019. The paper, Stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/CapacityProcurementMechanismSoft-OfferCap.aspx>

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on July 1, 2019.

Submitted by	Organization	Date Submitted
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**Please provide your organization’s comments on the following issues and questions.**

#### 1. Updating the soft offer cap

Please provide your organization’s feedback on the update soft-offer cap topic as described in section 4.1 of the issue paper. Please explain your rationale and include examples if applicable.

Please indicate any analysis and data review that your organization believes would be helpful to review on this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

***At this time, the Six Cities have not identified concerns with updating the soft-offer cap in accordance with the most recent study by the California Energy Commission. However, as the CAISO and stakeholders consider potential changes to the currently-effective CPM soft-offer cap, the Six Cities suggest that the CAISO evaluate the extent to which the previously-selected reference resource (i.e., the 700 MW – previously 550 MW – combined cycle unit with duct firing) is a reasonable proxy for the resources that have been designated as***

***CPM units. It would also be useful to know the vintage of the resources that have received CPM designations to evaluate if a reference based on a new resource remains appropriate.***

## **2. Assessing payment for 12-month CPM designations**

Please provide your organization's feedback on the 12-month CPM designation payment assessment topic as described in 4.2 of the issue paper. Please explain your rationale and include examples if applicable.

Please indicate any analysis and data review that your organization believes would be helpful to review on this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

***Please refer to the comments below regarding testing CPM solicitations for market power.***

## **3. CPM bids above the soft-offer cap**

Please provide your organization's feedback on the CPM bids above the soft-offer cap topic as described in 4.3 of the issue paper. Please explain your rationale and include examples if applicable.

Please indicate any analysis and data review that your organization believes would be helpful to review on this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

***With respect to CPM bids above the soft-offer cap, the Six Cities continue to believe that those bids should be cost-verified. Although the Six Cities do not oppose changing the methodology for resources seeking recovery above the level of the soft offer cap from full cost of service to going forward fixed costs as was considered in the Reliability Must Run and Capacity Procurement Mechanism ("RMR/CPM") Enhancements initiative, retention of market revenues while also recovering going forward fixed costs and a 20% adder appears to result in excessive revenues. Instead, the methodology should provide for going forward fixed costs plus retention of market revenues, with no adder.***

## **Additional comments**

Please offer any other feedback your organization would like to provide on the issue paper for the CPM Soft-Offer Cap issue paper.

***In the RMR/CPM Enhancements initiative, valid concerns were raised regarding the absence of competition and the potential for exercise of market power in the competitive solicitation process, especially for annual CPM designations. The Six Cities support implementation of testing for market power in the competitive solicitation process. In the event the competitive solicitation process is not sufficiently competitive, then the CPM compensation should be based on the resource's cost of service, with crediting of market revenues. Further, this initiative should consider whether there is a basis for implementation of market power tests not only for annual CPM designations, but for shorter term designations as well.***