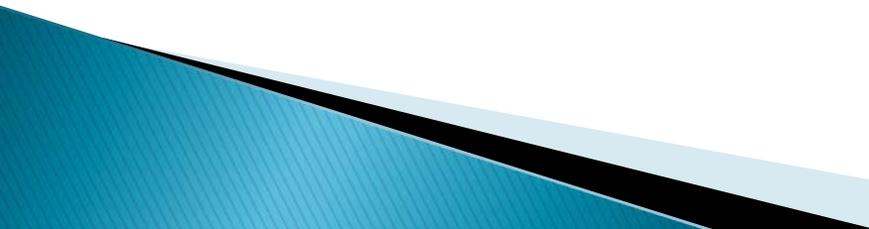


FERC Technical Conference Flexible and Local Resources For Reliability in CA Markets July 31, 2013

Submitted by:
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Independent Energy Producers Association (IEP)

IEP is a Trade Association of Electric Generators

- ▶ IEP Formed in 1982
 - ▶ Approximately 26,000 MWs of Installed Electric Generation Capacity in CA;
 - ▶ RPS Resources: Biomass, Geothermal, Landfill Gas, Small Hydro, Solar (Thermal/PV), Wind, etc.
 - ▶ Thermal Resources: Natural Gas (Combined Cycles, Peaking Units)
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Joint Reliability Framework Proposal

- ▶ Unique Factors For CA:
 - Political Emphasis on “Preferred Resources” (EE, DR, Renewables, Clean Thermal) and LT Planning
 - Historical Market Reliance on Long-Term PPAs in Generation Infrastructure Development
 - Environmental Rules/Requirements Fostering Significant Repowers and Replacements (e.g. Once-Thru-Cooling Regulations)
 - Time to Move Forward

Joint Reliability Framework Proposal

▶ *Strengths of Proposal:*

- Provides for a multi-year forward capacity obligation of at least 3 years;
- Establishes a “Product-based” Approach to Capacity Needs, including System, Local, and Flexible;
- Imposes Forward Capacity Obligation on All LSEs;
- Creates an CAISO-administered, Competitive Capacity Market;
- “Need Determination” Function of Joint CPUC/CEC/CAISO Forecast of Demand Net of Contracted, Committed Resources
- Supplements, Does Not Supplant, Existing Procurement Structures:
 - CPUC LTPP, RA Planning
 - Legislative Requirements re Portfolio: RPS, CHP, Storage, All-Source, etc.
 - Bilateral Contracting

Joint Reliability Framework Proposal

▶ Critical Issues To Be Addressed:

- Setting Amount of Forward Obligation as a percentage of Forecasted Need
 - *What level is necessary and sufficient to achieve goals, including mitigating “risk of retirement” generation assets?*
- Lack of Clarity as to Voluntary Nature of Program
 - *To what Extent Is There Symmetry Between Load and Suppliers?*
- Lack of Clarity as to Form of Standardized Capacity Products
 - *What Does “Standardized” Really Mean In Practice?*
- Lack of Clarity as To Nature of “Backstop” Procurement
 - *What happens if CAISO Residual Backstop Procurement Auction Is Inadequate?*

At the End of the Day, What will be the Measures of Success?

- ▶ Does the Reliability Framework create sufficient procurement obligations and market-price signals to ensure that the goals of the program are met in the forward time-frame:
 - Will the obligation minimize the risk resources will retire due to market failure rather than environmental or design life limitations;
 - Will the obligation minimize CAISO procurement outside of the CAISO-administered capacity market;
- ▶ Will the standard capacity products be sufficiently defined to facilitate transactions in the forward markets to help meet system, local, and flexible capacity needs;
- ▶ Will the planning criteria actually be based on contracted and/or committed resources over the planning horizon(s).

Generator Criteria for Success of Multi-Year Reliability Framework

- ▶ Supports Forward Planning/Procurement Processes (e.g. Existing CA Processes: LTPP, RA, RPS, etc.);
 - ▶ Sends Clear/Accurate Market Price Signals Regarding When and Where Resources are needed;
 - ▶ Minimizes/Eliminates “Risk of Retirement” Scenario
 - ▶ Minimizes/Eliminates CAISO Procurement Outside of CAISO Auction;
 - ▶ Affirms that Capacity Obligations and Capacity Cost Responsibility in CA are the Responsibility of Load.
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