

# Comments of Calpine Corporation

## Mitigation for Exceptional Dispatch in LMPM Enhancements Phase 2

**Draft Final Proposal**  
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Submitted by	Company	Date Submitted
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### Summary:

Calpine supports reasonably established mitigation measures. However, this proposal turns on its head the CAISO's obligation to demonstrate market power and the burden of proof necessary to allow mitigation. Rather than showing that market power exists in the case of non-modeled constraints, the current proposal simply presumes market power by caveat. When combined with the CAISO's proposal to mitigate all ExD up to dispatchable Pmin, *this proposal allows untested mitigation for 32 percent or more<sup>1</sup> of all ExDs without any analysis of competitiveness.*

CAISO management should reject DMM's proposal<sup>2</sup> or modify it in ways which precondition mitigation based on findings of non-competitive conditions. Additionally the CAISO should address the fundamental problems with either market design or network model specification that results in non-modeled constraints. At a minimum, a standard for review and incorporation of non-modeled constraints should be adopted.

As we have said in previous comments the thresholds for historical evaluation of competitiveness suggested by DMM are arbitrary and would likely cause false-positive indications of market power. DMM has provided no further support for the

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<sup>1</sup> At page 6, the ISO says that 18 percent of the ExD instances were for NonTModel <=DPMin and 14 percent were NonTModel Other. Calpine expects, based on an anecdotal review of Exceptional Dispatch FERC filings that if the CAISO were to base the pie chart of Figure 1 on Mwh volumes and not instances of ED, the percentages of "NonTModel" might be substantially higher.

<sup>2</sup> We refer to this proposal as DMM's proposal rather than as a CAISO proposal. We find it somewhat alarming that DMM, as an interested stakeholder and not a decision-maker, is in the position of leading this effort.

reasonableness of the proposed thresholds. The CAISO should perform a historic benchmark test to review the frequency of mitigation that would occur with the proposed thresholds.

### The burden has been reversed

The DMM proposal for non-modeled constraints can be summarized in their own words.

The default of competitive is not valid unless there is a positive test to determine otherwise.<sup>3</sup>

In Calpine's view this turns FERC's guidance on its head. Rather than a presumption of competitiveness, and demonstration that a non-modeled path is not competitive (FERC's threshold for mitigation), the DMM prefers to assert non-competitive outcomes and impose mitigation.

Without this history of DCPA results, the ExD reason will always fail to meet the established criteria and will then be deemed non-competitive by default (per the proposal). This is a valid observation, and DMM's position on non-modeled constraints is that they are in most instances non-competitive.<sup>4</sup>

The unsupported assertion that non-modeled constraints are non-competitive condemns the guilty as well as the innocent and will result in over-mitigation. Indeed, the assertion itself admits that such a policy will result in false-positive indications of market power (i.e. "in *most* instances".) Unfortunately, no data or analysis has been presented to support the conclusion that simply because a constraint is not modeled, it is non-competitive. We can envision many circumstances where a first contingency (e.g. a 500 kV outage) exposes non-modeled constraints. However, without review, there is no basis to conclude that competitive redispatch is unavailable.

The possibility of false positive outcomes should be sufficient to consider alternatives to DMM's proposed default finding of the need for mitigation – even if developing or analyzing these alternatives might be "cumbersome"<sup>5</sup>.

Calpine encourages that before the CAISO takes this issue to the Board, that the CAISO (1) have its own independent voice on this issue rather than relying on DMM and (2) modify this proposal to ensure that mitigation occurs not by default, but based on demonstrated market power.

Most specifically, Calpine encourages the CAISO to establish explicit metrics for when non-modeled constraints become modeled. That is, the best solution for non-modeled constraints is to include their representation in the network model and allow DCPA to

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<sup>3</sup> Final Draft Proposal, p7

<sup>4</sup> Ibid, p4

<sup>5</sup> Ibid, p4, where the DMM rejects any post-market evaluation for non-modeled constraints

test competitiveness. Recurrence of the same non-modeled constraint should be eliminated.

Thank You