Stakeholder Comments Template

Submitted by	Company	Date Submitted
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RMR and CPM

a. Provide notice to stakeholders of resource retirements

Comments: See previous comments. Calpine supports proactive disclosure of potential resource unavailability.

b. Clarify use of RMR versus CPM procurement

Comments: In addition to previous comments which generally support the distinctions and clarifications on the use of the two mechanisms, Calpine continues to believe that the runway to RMR is unworkable. In an effort to avoid "front-running" the ISO continues to compress the timeline necessary for development, and negotiation, as well as prudent capital and operational decision making.

The current timeline (P15) suggests that an RMR agreement be filed in "late Dec" imposing an obligation to offer on January 1. This is patently unworkable. First, FERC normally requires Section 205 requests to be filed 60 days prior to rates becoming effective. As such, the earliest rates would be in place (subject to refund) would be late February. Second, during the pendency of the 205 filing, the Resource Owner would be unreasonably obligated to offer and make the unit available without knowing the approval, form or level of compensation. Third, this timing certainly would not allow for scheduling of any major maintenance expenditures, even if a resource owner were willing to undertake them. And fourth, without FERC-approved rates including approved incremental capital, it would be imprudent to undertake such investment.

Finally, the timeline presumes that a full cost-of-service study, including, apparently, a rate-of-return expert report, can be completed, negotiated and filed between the RMR designation in late October and a filing in December. This timeline is simply unworkable.

The proposal to allow for a renewed "early window" for submission of an unavailability notice (retirement/mothball/etc.) does nothing to improve the constraints imposed. In fact, even if a unit is deemed needed early in the year, the Board would not approve the designation until October or November forcing an unworkable December RMR filing.

In addition, the CAISO proposal puts great weight in, and in fact depends on, the creation, implementation and success of an IOU central buyer. While that may eventually emerge, it was clear from the call that the many market participants have different views when and even whether central buyer will be approved and what functions that central buyer may take (local, or subarea, or flexible or system RA.) All of these questions, unresolved, have implications on the design and use of backstop mechanisms. This uncertainty may resolved through ongoing CPUC proceedings. Only then will the CAISO be able to confidently take a "holistic" view of the functioning of the backstop mechanisms – as plainly directed by FERC. As we and several others have repeated said -- the CAISO should wait to see what, if anything the CPUC approves as final and not appealable before taking anything to the Board.

c. Explore whether Risk of Retirement CPM and RMR procurement can be merged into one mechanism

Comments: See previous comments.

<u>RMR</u>

d. Develop an interim pro forma RMR agreement

Comments: No comment.

e. Make RMR resources subject to a must offer obligation

Comments: Calpine continues to object to a must offer obligation with mandatory marginal-cost-based bids for Condition 2 resources as it will result in price suppression. Also, in order to avoid administrative and unintentional disputes related to the calculation of variable costs, if the ISO enforces a variable cost-based MOO, the CAISO should calculate and insert bids.

f. Consider making RMR resources subject to the Resource Adequacy Availability Incentive Mechanism

Comments: Calpine supports the implementation of RAAIM for RMRs, so long as the units are not required to self-schedule and the other availability penalties of the proforma RMR contract are eliminated.

g. Consider whether RMR Condition 1 and 2 options are needed

Comments: See previous comments.

h. Update rate of return for RMR compensation

Comments: Calpine continue to prefer a "hard-wired" ROR. If the CAISO moves forward with a project-specific formulation, it must allow the resource to include the costs of developing the ROR showing (by an outside expert, as needed) in the cost-of service.

i. Align pro forma RMR agreement with RMR tariff authority that provides ability to designate for system and flexible needs

Comments: Calpine supports the ISO's interpretation that is already has the ability to preserve reliability, including, as needed the RMR designation of any resource.

j. Allocate flexible Resource Adequacy credits from RMR designations

Comments: See previous comments.

k. Streamline and automate RMR settlement process

Comments: See previous comments

l. Lower banking costs associated with RMR invoicing

Comments: See previous comments

CPM

m. Change CPM pricing formula for resources that file at FERC for a CPM price above the soft-offer cap price

Comments: Calpine prefers the pricing formula of the first Revised Straw Proposal wherein bids would reflect the full cost of service, but energy rents are returned to the ISO. As we indicated in our August comments, the current proposal (GFFC plus 20 percent) is unlikely to allow the recovery of incremental capital (e.g. major maintenance) and therefore discourages participation in the Competitive Solicitation Process.

n. Evaluate if load serving entities are using CPM for their primary capacity procurement

Comments: See previous comments.

2. Other Comments

Please provide any additional comments not associated with the items listed above.

Comments: Thank you.