

# Stakeholder Comments Template

## Reliability Services Initiative - Phase 2

### Revised Draft Final Proposal

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the revised draft final proposal for the Reliability Services Initiative - Phase 2 that was posted on July 7, 2016. The revised draft final proposal and other information related to this initiative may be found at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/ReliabilityServices.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 21, 2016**.

If you are interested in providing written comments, please organize your comments into one or more of the categories listed below as well as state if you support, oppose, or have no comment on the proposal.

Calpine appreciates the opportunity to comment on the Revised Draft Final Proposal. Calpine limits its comments to the topic of the substitution of local resources on forced outages.

1. Clarify Local Regulatory Authority (LRA) interaction and process alignment. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*
2. Substitution for flexible capacity resources on planned outage. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*
3. Separate local and system RA for purpose of forced outage substitution. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*

Calpine fully supports the proposal to allow capacity in local areas that has been sold as system RA capacity to be substituted with other system RA capacity in the event of a forced outage. The proposal is fundamentally fair in that it requires substitution with capacity similar in quality to the capacity for which it substituting. Calpine's primary concern about some previous versions of the proposal was that they limited such substitution to cases in which only system RA capacity and no local RA capacity had been sold from a resource. The current proposal would allow the same flexibility of substitution for a block of capacity sold as system RA capacity from a resource even if local RA

capacity had been sold from the same resource. This flexibility is important to Calpine because Calpine frequently sells a mix of local and system RA capacity from its resources in local areas.

Calpine is perplexed by some of the opposition to this proposal. For example, PG&E, CPUC Staff, and SDG&E suggest that the proposal would exacerbate local market power because it might lead to instances in which capacity in local areas sold as system RA capacity would not be available to meet local requirements.<sup>1</sup> As Calpine understands the CAISO's proposal, it would not change the potential supply of local RA capacity. In the event that substitution for the outage of local RA capacity were needed, substitution could occur not only from any surplus capacity in the same local area that had not been sold as RA capacity, but also from similar resources that had been sold as system RA capacity. (It may require one or multiple bilateral transactions to effect the substitution. For example, it may require a swap of system RA capacity for the system RA capacity that will be re-designated as local RA capacity.<sup>2</sup>) Further, the proposal does not change materially supplier incentives. Under the status quo, suppliers already may choose to not sell capacity in local areas as local RA capacity.

Not only would the proposal not change the potential supply of local RA capacity, it also would effectively increase the supply/lower the cost of system RA capacity because sellers of system RA capacity in local areas would no longer be subject to the potential cost of substitution with more expensive local resources and seek to recover these costs in system RA prices.<sup>3</sup>

In addition, PG&E suggests that sellers are already compensated for the local attribute of capacity in local areas that is sold as system RA capacity.<sup>4</sup> As a large seller of RA capacity, this has not been Calpine's experience. In fact, we have sold different blocks of capacity from the same resource at different prices depending on whether or not the capacity can be shown as local RA capacity.

Calpine, however, agrees with SDG&E and PG&E, that the proposal would lead to inconsistency between what resources the CAISO considers in determining collective deficiencies on the one hand and LSE-specific deficiencies on the other hand. Calpine is not convinced that this inconsistency is a fatal flaw and recognizes the need for the CAISO to consider all RA resources, not just RA resources procured as local RA capacity, to represent accurately the expected topology of the system in determining collective deficiencies. PG&E and SDG&E seem to suggest that the inconsistency could lead to additional CPM designations within the month in the event that a local resource sold as system RA capacity and assumed to be available in the CAISO's month- or year-ahead local reliability assessments is substituted with a resource outside of the relevant local area, leaving a reliability hole. If this sort of CPM procurement occurred, it is not clear that it would raise costs relative to the status quo, which potentially requires LSEs to overpay for system RA capacity from resources in local areas to cover the cost of substitution with an equivalent local resource. In addition, as PG&E suggests, the costs could be managed by modifying the CPM CSPs to allow the purchase of local attributes from resources that are already procured as system RA capacity.

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<sup>1</sup> PG&E comments on the Draft Final Proposal at 2 ([https://www.caiso.com/Documents/PG\\_EComments-ReliabilityServicesPhase2-DraftFinalProposal.pdf](https://www.caiso.com/Documents/PG_EComments-ReliabilityServicesPhase2-DraftFinalProposal.pdf)); CPUC Staff comments on the Draft Final Proposal at 3 (<https://www.caiso.com/Documents/CPUCStaffComments-ReliabilityServicesPhase2-DraftFinalProposal.pdf>) ; SDG&E comments on Draft Final Proposal at 2 (<https://www.caiso.com/Documents/SDGComments-ReliabilityServicesPhase2-DraftFinalProposal.pdf>)

<sup>2</sup> SDG&E asserts without any justification that such swaps would be "inefficient." See SDG&E comments on the Draft Final Proposal at 2.

<sup>3</sup> PG&E acknowledges this issue in the third numbered point of its comments on the Draft Final Proposal.

<sup>4</sup> See the second numbered point of PG&E's comments on the Draft Final Proposal.

4. Process to update EFC list during the year. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*
  
5. Address the RAAIM exemption currently in place for combined flexible capacity resources. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*
  
6. Streamlining monthly RA showings. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*
  
7. RA showing requirements for small LSEs. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*
  
8. Other