

Comments from Calpine Corporation on Draft MSG Tariff Language April 13, 2010

1. "at the Resource level" – there are a lot of sections in the tariff containing this phrase, but we believe this should be defined better or not include it at all if it doesn't really affect the computation from how it is being recognized currently (without the MSG functionality). Dynegy I believe had this same comment.
2. Transition Cost – CAISO has not posted any BPM calculations for transition cost settlements; therefore it is too soon to tell if our compensation would be fair and reasonable. However, since the BPM configurations are the calculation spin-off of the Tariff provision, we realized that the tariff has to be approved first, but we need clarification as to when this transition cost is applicable for bid cost recovery since the tariff provisions are open for interpretation. For instance, let's assume that the resource was committed by CAISO from HE1-5, starting from a lower configuration and transitions to a higher configuration half-way through the commitment period. The start-up cost would be for the lower configuration and the transition cost would refer to the cost incurred for going to a higher configuration from the previous configuration (i.e. maybe starting up another turbine). But will CAISO rescind the transition cost; thereby charge the resource as opposed to reimbursing it if for instance the resource started at a higher configuration and transitioned to a lower configuration? In this scenario, we assume that the start up cost would be higher because it started with a higher configuration, but if it eventually transitions to a lower configuration, more than likely the cost is lower.
3. IFM Market Revenue –The statement below leads us to believe that our self schedule IFM revenue would be used in determining our eligibility for BCR. This would not be accurate and would prevent us from recovering our maximum allowed as in the case currently. This statement should either be revised, explained or excluded (section 11.8.2.2)

"In the case of a Multi-Stage Generating Resource, the CAISO will calculate the market revenue at the resource level."