

***Calpine's Supplemental Comments
on the CAISO's "FERC Large Generator Interconnection Rule: Pricing and Service
Issues" White Paper Dated 10/01/03***

Calpine thanks the California ISO for sponsoring the October 21st stakeholder meeting on the Large Generator Interconnection Compliance Filing. The CAISO's presentation, as well as the comments of the many stakeholders present, was very helpful in drawing out many of the complexities inherent in implementing FERC Order 2003. Having now had the benefit of attending the stakeholder meeting, Calpine provides the following supplemental observations to assist the CAISO in developing its Revised White Paper.

1. Calpine supports the concept of "partial Network Service" (or "partial Deliverability" if current CAISO terms are used).¹ As proposed by Calpine, partial Network Service would permit an Interconnection Customer to select from a portfolio of transmission upgrades to ensure the deliverability of generation to meet only certain contractual power sale obligations (less than total capacity or over limited portions of CAISO Control Area) or during certain time periods/seasons. Mutually agreed upon operating constraints and deliverability assurances would be contained in a three-party agreement between the Interconnection Customer, the Transmission Owner, and the CAISO.
2. To facilitate optimal generation siting, Calpine recommends that the CAISO issue an annual list of preferred generation locations throughout the CAISO Control Area, including estimates of available transmission capacity for each suggested site.
3. In order (a) to determine the optimal location and size of proposed new generation and (b) to evaluate transmission upgrades proposed for Network Service, Interconnection Customers require information transparency. Specifically, the compliance filing should clarify that the following information will be provided: power flow data, operating procedures, operating nomograms, area load profiles for the local area, detailed transmission maps for the California transmission grid, and a load profile for the CAISO system. Where appropriate or necessary for national security, the information shall be provided to Interconnection Customers pursuant to a confidentiality order.
4. To the extent that, in direct response to CAISO and Transmission Owner concerns about the Interconnection Customer's proposed generator effects in grid operation, the Interconnection Customer agrees to modify its proposal, the customer should not lose its queue position. In other words, being a team player should not be penalized.
5. The owner of an Energy Resource shall be given an opportunity to convert into a Network Resource upon completion of the appropriate studies and transmission system upgrades.

¹ As a general matter, Calpine urges the CAISO to use Final Order terms and definitions whenever possible.

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6. An Interconnection Customer requesting Network Resource service must be given the opportunity to modify its request from full Network Resource service to partial Network Resource service following completion of the System Impact Study without losing its queue position. The Interconnection Customer shall specify the percentage of total capacity to be deemed a Network Resource or an Energy Resource.
7. As indicated in its initial comments, Calpine remains concerned about a time-consuming, bureaucratic hurdle to new investment in the form of an "Uneconomic Network Upgrade Test." However, in the spirit of compromise, Calpine is interested in fleshing out a threshold concept wherein Network Upgrades that cost the GREATER of \$20 million dollars OR \$80/kW would be exempt from the cost-benefit analysis.
8. If two levels of interconnection service are offered, it is imperative that the CAISO coordinate with the CPUC and CEC to ensure that state policies will distinguish the rights, duties, and obligations of an Energy Resource (as compared with a Network Resource) in a manner that is consistent with the FERC Final Rule and applicable CAISO tariff language.
9. The standard for studies performed to deem a resource a "Network Resource" should be developed with Market Participants in the stakeholder process.
10. Calpine requests that the CAISO clarify the following in its revised White Paper: (a) a description (*e.g.*, the rules) of "deliverability"; and (b) how the CAISO envisions that the CPUC procurement proceeding will lead (or not lead) to the development of "delivery" rules and/or a capacity market in California, including any interplay with the provision of "Network Service."

Thank you for considering these supplemental comments. We look forward to reviewing the revised White Paper and participating in future stakeholder meetings.