

## Stakeholder Comments Template

### Subject: Regional Resource Adequacy Initiative

| Submitted by  | Company              | Date Submitted          |
|---|----------------------|-------------------------|
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This template has been created for submission of stakeholder comments on the Draft Regional Framework Proposal for the Regional Resource Adequacy initiative that was posted on December 1, 2016. Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **January 11, 2017**.

Please provide feedback on the Regional RA Draft Regional Framework Proposal below.

The ISO is especially interested in receiving feedback that indicates if your organization supports particular aspects of the proposal. Alternatively, if your organization does not support particular aspects of the proposal, please indicate why your organization does not support those aspects.

Calpine does not support the proposed treatment of imports in the proposal. Calpine believes that the CAISO should strengthen RA requirements by requiring RA imports to be procured on a forward basis from specific physical resources with sufficient transmission to be delivered to the CAISO and that cannot be “recalled” by their host BAs in emergencies. Instead, the proposal goes in the opposite direction by explicitly allowing intra-month purchases of non-resource-specific import RA, i.e., “short term arrangements,” which are arguably permissible under current rules. The proposal would allow LSEs to use short term arrangements to meet up to 10 percent of their RA requirements with some limited mechanisms to ensure that RA capacity backed by short term arrangements actually performs.

As indicated in previous comments, strengthening RA requirements in the manner recommended by Calpine would mirror the treatment of external resources in PJM’s capacity market.<sup>1</sup> In the discussion of the CAISO’s proposal at the last MSC meeting, Scott Harvey pointed out that while PJM has relatively rigorous requirements with respect to resources that count explicitly towards capacity requirements, it implicitly accounts for the possibility of satisfying reliability requirements through short term arrangements in setting its planning reserve margin, i.e., PJM

<sup>1</sup> See section 4.2.2 of <https://www.pjm.com/~media/documents/manuals/m18.ashx>.

adjusts its planning reserve margin downwards to account for the Capacity Benefit Margin associated with transmission between PJM and surrounding regions.<sup>2</sup> Calpine notes that even after this adjustment, PJM requires forward procurement of physical resources to meet planning reserve margins similar to the planning reserve margins utilized by LRAs in CAISO. Absent a showing that reliance on short term arrangements in combination with forward procurement of external and internal physical resources is sufficient to meet resource adequacy requirements, CAISO should not explicitly allow reliance on short term arrangements to meet resource adequacy requirements.

In addition to Calpine's general opposition to explicitly allowing short term arrangements to count towards RA requirements, Calpine is concerned that the CAISO's proposed mechanism to ensure that RA capacity backed by short term arrangements actually performs may not work.

First, the CAISO proposes to allocate the costs of CPM procurement to address the non-performance of RA resources backed by short term arrangements to the non-performing resources. Calpine is concerned that the non-performance of RA resources backed by short-term arrangements may occur when capacity in CAISO and surrounding areas is scarce and hence there are no available resources to procure through CPM.

Second, Calpine could support the CAISO's second mitigation strategy, i.e., to impose significantly higher availability penalties in system emergencies. This is similar to approaches that have been implemented in PJM and New England.<sup>3</sup> Implementing stronger financial performance penalties, however, would not necessarily ensure that physical reliability standards are satisfied.

Finally, requiring documentation that an LSE has not exceeded the CAISO's proposed 10% limit on short-term arrangements would not address the fundamental threat to reliability associated with the 10% limit itself.

Calpine reiterates its request that the CAISO eliminate the ambiguity in current rules that facilitates reliance on short term arrangements rather than codifying an acceptable level of such reliance, as the CAISO has proposed.

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<sup>2</sup> See the discussion of Capacity Benefit Margin and Capacity Benefit of Ties in

<http://www.pjm.com/~media/planning/res-adeq/2016-pjm-reserve-requirement-study.ashx>

<sup>3</sup> See the high level comparison of ISO-NE's Pay-for-Performance and PJM's Capacity Performance here:

<http://www.pjm.com/~media/committees-groups/task-forces/urmstf/20160602/20160602-item-09-pay-for-performance-and-capacity-performance-comparison.ashx>.