

2014 Stakeholder Initiatives Catalog

Review Draft

Dated: October 3, 2013
Comments Submitted: October 22, 2013

Summary:

Calpine has reviewed the proposed catalog and offers a couple changes or additions to the catalog. We appreciate the invitation to offer these comments. We look forward to the subsequent ranking process.

Eliminate Unpriced Constraints

Calpine continues to support the CAISO in its mission to provide reliable service to the State of California. In doing so, the CAISO uses constraints that affect market prices, but do not create a shadow price that is associated with that action (e.g., Minimum Online Capacity constraints suppress market prices, but do not create shadow prices.) The CAISO has initiated the Contingency Modeling Enhancement initiative which will price some, but not all MOCs. The CAISO should establish a new Stakeholder Initiative which exposes the purpose of each unpriced constraint on its system, enforces the constraint to protect reliability and finds a way to price it into the market.

Develop a Process for Enforcement/Un-enforcement of Constraints

The un-enforcement of the SCE_IMP_PCT constraint created great alarm and surprise in the market. This constraint had created substantial congestion in the market and may have been the basis of forward market hedging for a significant share of market participants. Few argued with the technical rationale for removal of the constraint (once explained), but virtually all uninvolved market participants voiced concerns over the process and timing of the relaxation.

Calpine asks that the CAISO establish, with stakeholder input, a process for reviewing and implementing significant changes in market constraints. Stakeholders would have to decide, as they have in other ISO/RTO markets, the level of materiality that would trigger an open review as well as the amount of notice that is reasonable prior to making a substantial change.

Modify RA Replacement Rules

The CAISO currently enforces an unfair and inequitable replacement rule that violates the spirit of commercial transactions. This replacement rule, if applied to prospective flexible attribute procurement will multiply the harm.

Specifically, if a Local RA resource is sold commercially to a counterparty as a lesser-value, System RA resource, the ISO requires that any replacement (due, for instance, to outage) must be with the higher-cost Local RA resource. This inequitable replacement obligation greatly complicates contracting and replacement given the dramatic oversupply of Local RA in some regions.

the same difficulty will emerge if a Flexible RA requirement is approved by the CAISO and the CPUC. Simply put, Flexible RA sold as Generic, or System RA should not bear a replacement obligation with the higher quality product.

Improve Transparency

The CAISO Initiatives Catalog a few years back included a multi-stage data transparency initiative. The third stage was to create a process for further requests of information. Unfortunately, the third phase process has failed to produce the data that Calpine and other market participants continue to seek.

A new initiative and stakeholder process should be established to address and resolve ongoing data deficiencies such as:

- Ongoing reporting of MOC commitment volumes by hour and by constraint
- Ongoing reporting of RUC commitments by hour and by RUC-driver
- Ongoing reporting of units dispatched and held at minimum load, by driver.

Sent from my iPhone

On Oct 22, 2013, at 11:12 AM, "Mark J. Smith" <Mark.Smith@calpine.com> wrote:

The CAISO has proposed to split the Bid Cost Recovery review period between the Day Ahead and Real Time markets. Calpine strongly supports this action as an effective measure to encourage real time economic bidding.

Calpine believes that the same logic that drove the CAISO to this DA/RT split should motivate the CAISO to consider breaking the BCR review horizon further in RT. Specifically we concur with the MSC opinion on this matter wherein it suggests that "separable decisions" should receive separate BCR. That is, in our view separable hourly decisions to bid in RT should be afforded separate BCR.

10/25/2013

Hourly BCR (with reasonable accommodations for commitment costs) would ensure that margins or losses from one hour do not affect the willingness of a party to submit economic bids in a subsequent hour.

Thanks