

Stakeholder Comments Template

Flexible Resource Adequacy Criteria and Must Offer Obligation - Phase 2 Straw Proposal

Submitted by	Company	Date Submitted
<i>Matt Barmack, 925-557-2267</i>	<i>Calpine Corp.</i>	<i>January 6, 2016</i>

This template has been created for submission of stakeholder comments on the straw proposal for the Flexible Resource Adequacy Criteria and Must Offer Obligation - Phase 2 that was posted on December 11, 2015. The straw proposal and other information related to this initiative may be found at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleResourceAdequacyCriteria-MustOfferObligations.aspx>.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **January 6, 2016**.

If you are interested in providing written comments, please organize your comments into one or more of the categories listed below.

1. Provision of flexible capacity by import or export resources,
2. Flexible capacity from pumped-storage hydro model
3. Merchant Variable Energy Resources
4. Allocating negative contributions to flexible capacity requirements
5. Resource adequacy showing requirements for small LSEs
6. Other.

Calpine appreciates the opportunity to comment on the straw proposal. Calpine limits its comments to the CAISO's decision to cease development of downward flexible capacity product.

In previous comments, Calpine outlined several concerns about the CAISO's proposed design for a downward flexible capacity product and suggested potential changes. In light of the concerns expressed by Calpine and others, Calpine supports the CAISO's decision to cease development of a downward flexible capacity product at this juncture. In addition, Calpine supports the commitment in the straw proposal to focus on energy market changes, including lowering the bid floor, reassessing self-scheduling priorities, and extending the time horizon of STUC, that might encourage downward flexibility in the operational time frame. Calpine believes that these, and perhaps other similar energy market changes, such as lowering export fees, should be pursued regardless of whether the CAISO ultimately develops and implements a downward flexible capacity product.

Given the recommendation in the straw proposal to cease development of a downward flexible capacity product, Calpine raises a procedural request and reiterates several substantive points from our previous comments.

With respect to process, Calpine requests that the CAISO clarify how it envisions this stakeholder initiative meshing with the CPUC's plan to consider and implement a "durable flexible capacity requirements program" by the end of 2016 in Track 2 of the RA proceeding.¹ Given that the straw proposal would leave current CAISO flexible RA rules essentially unchanged, but for the modest modifications described in section 5 of the straw proposal, is it the CAISO's intent for the straw proposal to constitute the basis for "durable flexible capacity requirements program"?

With respect to substance, in the event that the CAISO decides to consider development of a downward flexible capacity product in the future, Calpine notes the following general questions that must be addressed in the development of such a product:

- What is the appropriate reliability (or other) standard for determining downward (or upward) flexible capacity requirements? If reliability challenges associated with overgeneration and other operational flexibility issues can be addressed through curtailment, economic or otherwise, what level of curtailment should be targeted in setting forward, i.e., month-ahead or more forward, capacity procurement requirements?
- In assessing potential overgeneration problems, what is the baseline? Should all renewables, cogeneration, and nuclear generation be treated as must-take? How can changes in the operation of ostensibly must-take resources contribute to resolving downward flexibility problems?
- How does non-RA capacity contribute to overgeneration, i.e., even if the RA fleet can be dispatched down below projected minimum net load levels in a month, generation from non-RA capacity, potentially including import schedules or Pmin capacity on resources that are also providing flexible capacity, may lead to overgeneration. How will generation from non-RA capacity be managed under overgeneration conditions? (Reassessing self-scheduling priorities, as suggested in the straw proposal, may resolve some of the issues associated with non-RA capacity and overgeneration.)

¹ See <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M156/K745/156745018.PDF>