

# Commitment Costs Enhancements

## *Revised Straw Proposal*

Dated: June 10, 2014  
Comments Submitted: July 1, 2014

---

Calpine continues to support the proposal. In particular, Calpine supports the main change in this version of the proposal, i.e., the potential inclusion of CAISO-calculated opportunity costs in commitment costs. Calpine supports this new element of the proposal as long as it raises the *cap* on start cost bids but does not *obligate* suppliers to reflect CAISO-calculated opportunity costs in bid in start costs. It is important to Calpine to retain the flexibility to offer our resources at levels that reflect our own view of their economics.

In addition, Calpine continues to support increased flexibility to change commitment costs in real-time to reflect intra-day gas costs. Calpine understands that the CAISO continues to explore this issue.

Beyond Calpine's general support for the proposal, Calpine offers the following comments:

With respect to the manual process for using the ICE index in proxy cost calculations, could the CAISO clarify that, when the manual process is triggered, the cap on commitment cost bids will be 125% of the proxy costs calculated using the ICE index. The discussion in the proposal of the allowed 125% mark-up over proxy costs under normal circumstances and the 125% gas price premium at which the manual process would be triggered leaves some ambiguity about whether a mark-up above the proxy costs calculated with ICE prices would be allowed.

Similarly, with respect to the inclusion of CAISO-calculated opportunity costs in proxy costs, would they be treated identically to other elements of proxy costs, i.e., would they be grossed up by 125% in determining bid caps?

In addition, it would be helpful if the CAISO could explain further the 10% adder that it is proposing to use to calculate the real-time prices that would constitute the basis for its proposed opportunity cost calculation.

Finally, in addition to the types of explicit and opportunity costs addressed in the proposal, Calpine requests the consideration of another type of cost for inclusion

7/7/2014

in commitment costs, i.e., lumpy transmission costs. Certain dynamically scheduled resources may be subject to non-CAISO transmission tariffs. These non-CAISO tariffs typically involve lumpy charges related to whether or not a resource operates at all in a specific calendar month. Calpine would like to be able to include such lumpy costs in the start cost for a resource until the resource is committed and/or dispatched for the first time in a month.