

Comments of Calpine Corporation on

# **FERC Order 764**

## ***Revised Straw Proposal***

Dated: February 5, 2013  
Comments Submitted: February 25, 2005

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### **Summary:**

While Calpine conceptually supports a simultaneous clearing of internal generation and interties, we continue to be concerned with the feasibility and complexity of the instant proposal.

### **Conceptual Support, but with Questions of Feasibility**

Calpine appreciates the ISO's focus on efficiently dispatching both interties and internal generation and in particular, supports mechanisms which ensure that interties (as well as intertie CBs) and internal generation are dispatched and settled simultaneously. Additionally, as anticipated in Order 764, shortening the scheduling timeframe for interties should assist in the integration of variable resources. Finally, establishing schedules closer to real time should improve the accuracy of generation movements and reduce uplifts.

Calpine suggests the following for the CAISO's consideration.

### **Test the Proposal Feasibility with Adjacent BAAs.**

Calpine continues to believe that adjacent Balancing Authorities should be specifically invited to present their view on the CAISO proposal. Despite calls for such, the CAISO simply refers market participants to the WECC process and asserts that there have been no objections to the CAISO approach. If this is the case, the CAISO should not fear and indeed should accept the simple burden of inviting a panel of adjacent BAA representatives to (1) describe their approach to Order 764, and (2) provide their comments on the CAISO's anticipation of up to 4 schedule changes every hour on the ties.

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## **Four Schedule Changes per Hour, and 2.5 Minutes to Perform**

The current proposal eliminates bid cost recovery for hourly block intertie transactions – in part to act as an incentive to offer curtailable, or 15 minute intertie blocks (which would be covered by BCR.) Calpine understands that these 15 minute intertie schedules would be awarded with only 2.5 minutes to execute with both sending and receiving BAAs.

Calpine would like external BAA's to review and comment on their ability to accept and execute (e.g. check out) these modified e-tags within the proposed timeline.

## **Shift of Risks to Interties**

The effect of the proposal, in substantial part, is to both reduce and shift the risk and expense of errors in CAISO intertie dispatch away from load (uplifted through the energy imbalance offset) and to interties. Interties are subjected to this risk if they use block schedules and therefore are price-takers without BCR. This proposal may be appropriate, but only if the alternative of 15 minute adjustments is initially and continuously feasible.

If one or more adjacent BAA is unwilling to accept and confirm schedules in the 2.5 minute window proposed by the CAISO, the absence of BCR for block schedules may significantly affect the bid prices, risks and liquidity of intertie transactions.

## **Demonstrate the Need for Both 5-minute and 15-minute Settlements**

The CAISO proposes that internal generation be settled 4 times every 15 minutes – once based on a forecast in RTPD, and subsequently in each 5 minute dispatch interval. The RTPD settlement will include a new, financially binding co-optimization of energy and A/S as well as Flexi-ramp. Subsequently, the CAISO proposes to resettle energy based on instructions and deviations between the 15 minute RTPD run and the 5 minute dispatch. Identical energy bids will be used for awards in the RTPD and dispatch in the subsequent 3, 5-minute RTD intervals.

Today, the CAISO awards A/S and FlexiRamp in the RTPD and settles energy by combining 2 RTD intervals in a 10-minute settlement. Therefore the changes suggested by the CAISO will double the effort required to shadow, validate and settle CAISO transactions. Calpine requests that the CAISO provide an analysis that would support the need for such increased granularity. Such an analysis should include expected volume and price movements between RTD and RTPD as well as consideration of all settlement alternatives.

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## Are 5-Minute Deviations Unavoidable?

Finally, as discussed at the stakeholder meeting, Calpine seeks more information on the conversion of 15 minute awards to 5 Minute dispatches. In particular, it seems that if a unit is ramping, a generator could be subjected to uninstructed deviations every time unit is precisely meeting the 5-minute RTD dispatch.

Take a simple example as follows:

RTPD price = RTD price

RTPD award = 31.25 Mwh over the 15 minutes

Unit is ramping from 100 to 150 MW

RTD dispatches the unit on a linear ramp

At the end of each interval the unit is at (1) 116.7 MW, (2) 133.3 MW and (3) 150 MW.

Energy production during each interval is (1) 9.0 Mwh, (2) 10.4 Mwh, (3) 11.8 Mwh

Since RTPD award is 31.25, the simple average expected energy is 10.4 Mwh. So, our preliminary conclusion is that for every hour with a ramp, a unit following dispatch will have deviations at the beginning and end of the 15 minute interval even if it precisely follows dispatch orders.

In the next draft, please provide more information on how RTPD awards will be distributed to the subsequent 5-minute RTD intervals. Obviously, simple averages will not result in a reasonable assessment of deviation charges.

Thank You.