Comments of Calpine Corporation on

Two-Tier Allocation of RT BCR

Issue Paper

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Summary:

Calpine appreciates the opportunity to comment on this Issue Paper, and apologizes for its oversight of the comment due date.

Before addressing the allocation of RT BCR costs, Calpine seeks more information. In fact, we are not sure if the large dollars recovered through the current RT BCR (~50 percent of total BCR) are causally related to RT changes or are more closely related to positions taken in earlier sequential markets. Simply put, we are not sure if this is a "bucket" problem or a "cost allocation" problem.

What is clear from the tariff (11.8.4.1.2 RTM Minimum Load Cost), is that BCR for a unit *committed* in RUC falls into the RUC BCR bucket. What is *not* clear is whether BCR for a unit *awarded* (i.e., a non-binding commitment) in RUC (e.g., to make up for unscheduled generation, under-scheduled load, or virtual supply), but only committed in RTUC/STUC is dumped in the RUC BCR bucket or the RT BCR bucket.

We suspect, but do not know, that some portion of RT BCR is due the costs of units awarded in RUC because of positions taken in DA, but not committed until RT. In this case, changes which capture the BCR costs correctly by associating them with RUC could obviate the need to consider a two-tier allocation for RT BCR.

Specifically, if the ISO were to link RUC *awards* with RT *commitments* and place the appropriate STUC/RTUC BCR costs in the RUC BCR bucket, the causal allocation of RUC BCR could remain unchanged. If the resultant dollar shift is significant and the remaining dollars in RT BCR are insignificant, it may make the pursuit of more granular RT allocations unnecessary.

If, however, there is an insignificant amount of BCR shifted as a result of this change, the CAISO needs to study and report on the causes of RT BCR. For

example, a study performed by the DMM two years ago (contained in the link below) suggests that most of the price difference between DA and RT is attributable to unscheduled generation. It may therefore follow that the systemic lowering of RT prices because of unscheduled generation that "shows up" in RT exposes units committed in DA to uneconomic operational conditions and results in RT BCR.

http://www.caiso.com/Documents/Agenda-Presentation_MarketPerformance-PlanningForumMar13_2014.pdf

Thanks