

Stakeholder Comments Template

Subject: Capacity Procurement Mechanism, and Compensation and Bid Mitigation for Exceptional Dispatch

Submitted by	Company	Date Submitted
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Summary:

Calpine is disappointed with the Draft Final Proposal. Specifically and simply, the CAISO has a choice to take one small step, entirely within its control and exclusive jurisdiction, to create an incremental investment signal, and it has chosen, so far, to not do so.

This resistance is perplexing, particularly in light of the challenges that the CAISO faces both near and longer term. The 20 percent integration studies recently released clearly indicate a substantial need for incremental flexibility on the system. While Calpine's assets provide a significant amount of ramping and ancillary services, incremental investment could unlock further flexibility.

However, such investment requires some assurance that fixed costs will be recovered. The CAISO's mitigated and capped short-run, marginal-cost-clearing market discourages contracting with existing highly-efficient units. This, combined with CPUC rules which cap RA and prohibit existing resources from bidding into long term RFOs leaves us in a position where there is little chance of contractual coverage. As we have said in both stakeholder meetings and written comments, even "no brainer" investments may not be made.

Calpine knows, as does the CAISO, that CPM, in and by itself, is not an investment vehicle. However, CPM does have the potential to advance CAISO interests; specifically interests in forward contracting and interests in ensuring that the backstop role is never a preferred vehicle and used exceedingly sparingly. Most important, from Calpine's perspective, is that the CPM might have a residual albeit indirect, impact on investment in existing resources.

Calpine hopes that the CAISO will reconsider its decision to maintain the current CPM methodology. In addition to the net CONE approach proposed by the CAISO, we ask

that the CAISO also consider Calpine's simplified and transitional proposal recommended in our earlier comments.

Overall Proposal

1. Whether you support the overall proposal.

We do not support the extension of the current methodology.

2. Whether the proposal strikes the appropriate balance among difficult issues.

We do not know which "difficult issues" have been balanced.

Capacity Procurement Mechanism ("CPM")

3. Whether the tariff should have a specific sunset date or be open-ended.

See previous comments.

4. The ability to procure capacity for planned transmission and generator outages or sustained, significant less-than-planned-output of intermittent resources.

See previous comments.

5. The proposed treatment of procured capacity that subsequently goes out on planned outage during the period for which the capacity has been procured.

See previous comments.

6. Modification of the criteria under section 43.3 of the ISO tariff for selecting capacity from among eligible capacity.

See previous comments.

7. Procurement of capacity that is needed for reliability and is at risk of retirement.

See previous comments.

8. The compensation methodology for resources procured under CPM and Exceptional Dispatch.

See previous comments.

Exceptional Dispatch

1. Linking compensation for Exceptional Dispatch to the CPM Payment.

[See previous comments.](#)

2. Extending the existing bid mitigation

[See previous comments.](#)

[In particular, the CAISO needs to revisit the designation of virtually all internal transmission constraints as non-competitive.](#)

Other

1. Additional comments.