

Calpine comments on the CAISO's revised Flexible Resource Adequacy Must-Offer Obligation (FRACMOO) proposal

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Calpine appreciates the opportunity to comment on the revised FRACMOO proposal that the CAISO presented to the December 13, 2013 working group meeting.

Calpine generally supports the revised proposal. Calpine has two general comments on the proposal:

First, Calpine supports the CAISO's proposed approach to limiting reliance on use-limited resources by placing hard caps on the use of specific classes of use-limited resources to satisfy flexible capacity procurement requirements. Calpine's primary concern about previous versions of the FRACMOO proposal was the less stringent and widely varying must-offer obligations for use-limited resources. With respect to these must-offer obligations, Calpine argued that resources with less stringent must-offer obligations should count less (relative to their nominal Effective Flexible Capacities) towards flexible capacity procurement requirements. The CAISO's new proposal to place explicit caps on how use-limited resources count towards flexible capacity procurement requirements potentially addresses Calpine's concern. In fact, the CAISO's new approach may be easier to implement than the alternative of attempting to adjust the Effective Flexible Capacities of use limited resources.

Second, Calpine agrees with the CAISO's proposal to defer the implementation of Standardized Flexible Capacity Procurement (SFCP) incentives until the 2016 delivery year. Given the absence of empirical data on the value of flexible capacity, there is no reasonable benchmark to which to tie SFCP penalties. In addition, Calpine believes that spot energy and AS markets may and should provide sufficient and appropriate incentives for resources to participate in those markets. Calpine encourages the CAISO to defer the implementation of SFCP penalties until more experience is gained with important and expected spot market reforms, such as the introduction of the Flexible Ramping Product.

Calpine appreciates the CAISO's work on the FRACMOO proposal and looks forward to working with the CAISO to implement the proposal.