

RMR Pro-Forma Changes

Tariff Language

Comments Submitted: 6/25/18

Summary:

The CAISO has proposed piecemeal changes to the RMR pro-forma contract to allow for a new unbridled termination right in favor of the CAISO. While Calpine opposes the specific proposal as being unjust and unreasonable, it offers alternatives that limit the applicability, preserves principles of contract sanctity and filed rates, and allows for balanced negotiations of future RMR agreements.

Calpine understands the intent of the proposed revisions would be to allow a one-time termination right of a prospective RMR agreement should the CAISO's pro-forma be materially changed by FERC as a result of the ongoing RMR/CPM stakeholder proceeding.

Calpine believes that as alternatives:

- The CAISO can seek similar concessions from parties during the negotiation of new RMR agreements making these piecemeal changes unnecessary, or,
- The CAISO can file a revised termination condition in Section 2.2(vi) that merely states that termination is allowed "by the CAISO pursuant to a FERC order" and eliminate all other revised provisions.

While these options may seem difficult to attain, they are rightfully so. The inclusion of a broad unilateral termination right in favor of the CAISO would significantly disrupt the burdens and benefits of an RMR agreement. To our knowledge each and every RMR agreement that the CAISO has ever entered has been the result of extensive negotiations and/or settlement proceedings at FERC. The new proposed language creates a substantial risk to an RMR owner, making future terms, conditions and cost recovery unknowable. It would be prudent for an RMR owner to refuse to accept such an CAISO unbridled termination right during negotiations -- making the proposed changes ineffective.

Should the CAISO move forward with the proposal, we ask that the following matters be clarified:

6/27/2018

- First, while we understand that the intent is for a one-time right, the existing language would allow for termination whenever FERC has “finally accepted” *any* future modification to the CAISO pro-forma. We request the language be modified in a way that limits the risk-of-change to modifications as a result of the current RMR/CPM stakeholder initiative.
- Second, the “current Contract Year” could mean either the calendar year the contract is negotiated or a future calendar year or years after extension of the RMR agreement. Consider a clarification that allows for termination “subsequent to the earliest Contract Year after the effective date of FERC’s order accepting a revised pro-forma contract”.
- Third, because it is unsupported, the CASIO should delete proposed section 2.2(f) and clarify that upon any termination pursuant to section 2.2(b)(vi) that the Owner should be allowed, but not required to accept the re-designation of another non-RMR unit at the same Facility .
- Fourth, the CAISO should make explicit that its current proposal does not apply to extensions of RMR agreements that were approved by FERC prior to the introduction of this proposal; and
- Finally, since termination would otherwise require *de novo* negotiation of all new terms and conditions, the CAISO should consider options where the RMR agreement could be modified, but the RMR schedules (for cost recovery, and operational parameters) be retained at the option of the Owner.

Thanks.