

Calpine comments on the Reliability Services Initiative Phase 2 Straw Proposal

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Calpine limits its comments to the issue of RA replacement and substitution requirements for resources that are located in local areas but sold as system RA capacity. While Calpine was unable to attend the August 26th stakeholder meeting at which this issue was discussed, Calpine strongly endorses the approach to this issue that Calpine understands that NRG articulated at the meeting.

First, Calpine agrees that local and system RA capacity are distinct products that typically are transacted at different prices. Consequently, it is fundamentally unjust and unreasonable to require a supplier to replace or substitute capacity that is sold as system RA with more expensive local RA capacity as the CAISO currently requires.

Second, in the event that current replacement and substitution rules are changed so that RA capacity in local areas that is sold as system RA capacity can be replaced/substituted with system RA capacity, Calpine supports NRG's proposal to use CPM to address any resulting local reliability problems. This would be an appropriate use of CPM. In the month-ahead/replacement time frame, it essentially would involve using CPM to cure a collective deficiency,¹ i.e., an instance in which the capacity that is *procured as local RA capacity* (as opposed to the RA capacity that is physically located in the associated local area) satisfies each LSE's local RA procurement obligation, but fails to meet local reliability criteria in aggregate. The same logic applies to the operational/substitution time frame, although the timing of any designation would be different than under the collective deficiency provisions of the CPM portion of the CAISO tariff currently.

¹ See Section 43.2.2 of the CAISO tariff.