

Calpine comments on the January 22, 2015 Reliability Services Draft Final Proposal

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Calpine appreciates the opportunity to comment on the draft final proposal. Calpine's comments focus primarily on changes in the proposal that are new in this version of the calculator.

PDR and RUC

While Calpine appreciates the CAISO's clarification of the obligation of RA PDR resources to participate in RUC, Calpine continues to disagree with the CAISO's proposal to exempt long-start RA PDR resources from participation in RUC. The CAISO's proposal seems to be based on the concern that, because PDR has zero commitment costs, it may be committed and, in the case of long-start PDR, dispatched through RUC uneconomically. Calpine understands that the CAISO is developing a methodology for calculating the opportunity costs of use-limited resources, including resources that may be start-limited, such as PDR. If a methodology is developed to calculate the opportunity cost of a start for a start-limited resource such as PDR, long-start PDR could be offered into RUC at this calculated opportunity cost, potentially addressing the CAISO's concerns about the uneconomic commitment and dispatch of PDR through RUC.

CHP

In considering exemptions from availability incentives for CHP, the CAISO may want to differentiate between resources that are under legacy standard offer contracts and other CHP resources. For example, the NQC of some CHP resources that are not under standard offer contracts is not based on historical performance and, in the RA proceeding, PG&E recently proposed to base the NQC of some CHP resources ("utility prescheduled facilities") on Pmax rather than historical performance.

Relaxation of local RA requirements

Calpine does not support the CAISO's proposal to cap LSEs' local RA obligations at the level of their system RA obligations. The proposal suggests that local RA requirements are based on August conditions and hence may be conservatively high in non-summer months. In D. 11-06-022, the CPUC considered a similar proposal from SDG&E to specify local capacity requirements that vary by season or month. The CAISO opposed this proposal, noting that local RA requirements may not actually be lower in off-peak months, partly because scheduled outages of transmission and generation may actually increase local capacity requirements.¹ With respect to its current proposal, the CAISO has not explained how it addresses the concerns that it expressed previously about varying local capacity requirements by

¹ See the CAISO's February 8, 2011 *Comments on Phase 2 Proposals* in R.09-10-032 at 10-12.
(<http://docs.cpuc.ca.gov/PublishedDocs/EFIL/CM/130697.PDF>)

season or month. In particular, it has not explained how local reliability would be maintained in the event that procurement of local capacity falls below local capacity requirements or alternatively exactly what levels of local capacity procurement deficiency would lead to tolerable levels of reliability.