

Calpine comments on the Reliability Services Initiative Phase 2 Revised Straw Proposal

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Calpine strongly supports the modifications in the newest version of the straw proposal to address substitution requirements for local resources that are sold as system RA capacity. In particular, Calpine agrees with the CAISO's proposal to enhance RA and Supply Plan submissions to identify the specific local resources on which LSEs are relying for local RA compliance. Further, Calpine agrees with the CAISO proposal to allow substitution from any resource, regardless of location, to avoid availability penalties for a local resource that is sold as system RA capacity in the event that the resource is forced out.

The proposal responds to Calpine's previous comments that system and local 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 capacity with more expensive local RA capacity as the CAISO currently requires.

Calpine believes that just as the CAISO has proposed for substitution, it also should be possible to *replace* local resources sold as system RA with any resource, regardless of location. In its discussion of planned outages of local resources, the revised straw proposal notes, "If the resource is needed for local reliability and cannot defer the outage, it can provide replacement from another local capacity resource. This allows the resource to avoid taking a forced outage while also providing the ISO greater assurance that local reliability is not compromised by the outage." This part of the proposal does not seem to differentiate between local resources that are sold as local RA capacity and local resources that are sold as system RA capacity.

Calpine looks forward to working with the CAISO to implement its revised local RA substitution proposal.