Comments of Calpine Corporation on

Intertie Deviation Settlement

Straw Proposal

Dated: October 8, 2018
Comments Submitted: October 29, 2018

Summary:

Calpine agrees that intertie resources are critical to maintaining the reliability of the grid and Calpine supports the direction of the Straw Proposal. We find it striking, as exposed by the Issue Paper and Straw Proposal, that an external supplier faces incentives in the first instance to "no show" rather than decline a RT award, and second, that the timing of both of these potential outcomes can force the ISO to take out-of-market actions to preserve reliability.

Regarding the key operational specifics of the proposal, Calpine does not believe that the requirement to submit e-tags prior to T-40 creates a substantial burden to those suppliers that have resources lined up, and transmission available to meet the intended delivery of capacity. This requirement alone appears to resolve the real-time reliability concerns of the CAISO. This allows the HASP to confidently include deliveries – or conversely, allows the FMM market to dispatch available resources – or commit fast-start resources -- to serve unmet demand efficiently.

The second key aspect of the proposal is the creation of new, non-trivial[1] settlement charges for under- or over-delivery and the elimination of any "tolerance band". The current tolerance band only applies charges when the non-delivery is greater than10 percent of monthly volumes. The 10 percent threshold was established when the CAISO could not distinguish between SC actions and curtailments beyond the control of the SC.

The CAISO now proposes to establish a transaction-specific under – or over-delivery charge to all "adjustments" made by an SC – a change to the energy profile submitted by a scheduling coordinator. The proposal hinges on an assertion by the CAISO that it can now differentiate between changes made by the SC adjustments and a "curtailment" made by "a balancing authority operator for a reliability reason."

[1] According to the CAISO data, the current "decline charge" was merely $13,701 for the full year analyzed.

While we generally understand the principle that the CAISO intends to apply, we have several questions:

- We suggest that the CAISO include in the next draft, simulated OATI e-tags that would and alternatively, would not be subjected to the charge.
- In particular, which fields would be evaluated to determine whether the charges are triggered?
- Are those critical fields (such as the “reason/comment” field in the approval section) mandatory to be completed by the BA? Is there any chance that the tag would require interpretation? If a BA failed to identify a “reliability reason” would the CAISO assess a charge?
- The proposal specifically states that a BA operator must issue a curtailment for the transaction to be exempt. In addition, this exemption should also apply to transmission service provider (TSP) curtailments.
- Please confirm that adjustments made prior to the RT bid submission deadline (T-75) would not trigger under/over-delivery charges. While this point is confirmed by the spreadsheet simulation, it is not specifically addressed in the Straw Proposal. An adjustment made before T-75 would result in exposure to RT prices, but would not result in the reliability concerns or market inefficiencies that are at the root of this initiative.

Thanks