

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Summary:

Calpine appreciates the opportunity to comment on the Revised Straw Proposal (RSP). We include comments on specific topics below, but only to the extent our views have changed given the revisions included in the RSP. Otherwise, our comments submitted August 7, 2018 (August Comments) continue to represent our views.

The generation landscape and the expectations of policy reforms continues to change. We agree with the comments of many who suggest that this initiative be suspended for approximately 6 months – or more congruously, be included as part of the RA Enhancements track 2 efforts. Redesigning RMR and CPM while the CPUC is considering changes to the fundamental structure of RA (e.g., multi-year forward requirements, central buyer, etc.) seems at best, ill-timed and at worst, an effort that will have to be repeated once the CPUC takes – or does not take – action on reforms.

RMR and CPM

- a. Provide notice to stakeholders of resource retirements

Comments: Calpine supports the posting of retirement/mothballing notices received by the CAISO. We appreciate the RSP clarifications that the future plans of the resource owner will be held confidential to the extent possible. We do agree with the comments of PG&E and SCE that the “100 MW or greater” posting limitation should be reduced as to allow more transparency. A 25 MW limit would eliminate insignificant changes, while allowing for public disclosure of material retirements, such as LM6000, 45 MW peakers.

- b. Use of RMR versus CPM procurement

Comments: Calpine agrees with the CASIO that the submission of a notice to mothball or retire must be submitted to the CAISO prior to engaging the RMR process.

[See August Comments](#)

- c. Explore whether Risk of Retirement CPM and RMR procurement can be merged into one procurement mechanism

Comments: [See August Comments.](#)

RMR

- d. Develop interim pro forma RMR agreement

Comments: [See August Comments](#)

- e. Update certain provisions of pro forma RMR agreement

- i. Remove AS bid insufficiency test and revise dispatch provisions to align with current market design

Comments: [See August Comments](#)

- ii. Update Schedule M and Schedule C to include GHG compliance cost calculation, DAM and RTM gas price index, and updated SC charge calculation

Comments: [See August Comments](#)

- iii. Update Schedule M to be consistent with bidding rules in ISO tariff and BPM

Comments: [See August Comments](#)

- iv. Seek input on defining a heat rate curve formula in Schedule C for multi-stage generator resources

Comments: [See August Comments](#)

- f. Make RMR resources subject to a must offer obligation

Comments: Calpine continues to object to a must offer on Condition 2 units as it will result in price suppression. See August Comments.

- g. Make RMR resources subject to the Resource Adequacy Availability Incentive Mechanism

Comments: See August Comments and section I. below

- h. Consider whether RMR Condition 1 and 2 options are needed

Comments: Calpine continues to support the full cost-of-service (Condition 2) structure for RMR compensation. While the elimination of Condition 1 does allow for settlement simplification (see section I.) Calpine continues to believe that this market-revenue, risk-sharing option could assist greatly in the settlement of RMR contractual matters.

- i. Update rate of return for RMR compensation

Comments: See August Comments. Calpine agrees with the CAISO that resources needed for reliability and that are ordered by the CAISO to be available must be compensated at the mitigated price of their full cost-of-service, including a return of and on capital.

Calpine's continued preference would be to have a pre-approved, pre-tax, rate-of-return embedded in the CAISO tariff, as it is today. This simplifies the significant burden placed on the resource owner in either filing a CSP offer that is above the soft cap, or in preparing an RMR revenue requirement.

The RSP offers a safe-harbor pre-tax rate (the simple average of the three LSEs) which could be used in the same manner as the current tariff. Alternatively, a resource owner can use their Section 205 rights to file something higher, or different. Calpine conceptually supports the safe-harbor approach proposed and would not object to using the utility's FERC-approved transmission rate of return.

- j. Align pro forma RMR agreement with existing RMR tariff authority that currently provides ability to designate for system and flexible needs

Comments: See August Comments

- k. Allocate flexible Resource Adequacy credits from RMR designations

Comments: See August Comments

- l. Streamline and automate RMR settlement process

Comments: Calpine supports changes that would allow simplification and automation of invoicing and settlement. Shifting the burden of invoicing to the CAISO, where it can leverage existing systems, data and processes has significant benefits.

While Calpine sees significant advantage to the RSP proposals for Condition 2 units, careful consideration of Condition 1 contracts is required with respect to bid cost recovery. The current RMR is structured to settle hourly – that is, rather than BCR occurring over 24 hours, the current RMR applies BCR over only a single hour. This ensures that losses which may be imposed by operating an RMR resource uneconomically in one hour are not off-set by gains that may occur in another hour. Blind implementation of current BCR mechanisms to a Condition 1 unit would strip the owner of some of the market revenues that they were designed to retain.

Calpine supports other components of simplification – such as the conversion of hourly availability to a fixed monthly payment if in fact, the CAISO also decides to impose a modified RAAIM on RMRs. (Note: Calpine understands that the RSP asserts that the CAISO would never require an RMR owner to self-schedule thereby exposing it to possible RAAIM penalties.)

- m. Lower banking costs associated with RMR invoicing

Comments: See August Comments

CPM

- n. Change CPM pricing formula for resources that file at FERC for a CPM price above the soft-offer cap price

Comments: Calpine agrees with the CAISO proposal to claw-back energy rents from resources that bid a cost-of-service price into the CSP. This makes the CPM mechanism similar to a Condition 2 RMR (except for the significant differences associated with incremental capital cost recovery.)

- o. Evaluate year-ahead CPM local collective deficiency procurement cost allocation to address load migration

Comments: See August Comments

- p. Evaluate if load serving entities are using CPM for their primary capacity procurement

Comments: See August Comments

2. Other Comments

Please provide any additional comments not associated with the items listed above.

Comments: Nothing further, other than thanks!