

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Refinements, and Establish Annual
Local Procurement Obligations.

Rulemaking 11-10-023
(Filed October 20, 2011)

COMMENTS OF CALPINE CORPORATION ON PROPOSED DECISION

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Pursuant to Rule 14.3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, Calpine Corporation (“Calpine”) submits these comments on the proposed decision (“Proposed Decision”) adopting local procurement obligations for 2014, establishing a flexible capacity framework, and implementing further refinements to the Commission’s Resource Adequacy (“RA”) program.

As discussed below, Calpine’s comments focus on aspects of the Proposed Decision that address the potential introduction of flexible capacity procurement requirements. In general, Calpine supports using the separate but complementary proposals developed by the Joint Parties¹ and Energy Division² (collectively the “JP/ED Proposals”) as a framework for the eventual implementation of flexible capacity procurement requirements.

I. FLEXIBLE CAPACITY PROCUREMENT REQUIREMENTS SHOULD BE DEFERRED UNTIL 2015

Calpine strongly supports deferring implementation of flexible capacity procurement requirements until the 2015 RA delivery year.³ As the Proposed Decision acknowledges, such

¹ The Joint Parties Proposal was jointly sponsored by the California Independent System Operator, Southern California Edison Company, and San Diego Gas & Electric Company. The Joint Parties Proposal is attached to the *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge* at Attachment A (December 6, 2012).

² The Energy Division Proposal is attached to the *Administrative Law Judge’s Ruling Resetting Schedule for Comments on Phase 2 Resource Adequacy Issues and Scheduling a Prehearing Conference* (March 11, 2013).

³ See Proposed Decision at 69 (Ordering Paragraph 5).

deferral will provide the Commission and parties with an opportunity to further consider and clarify important aspects of the flexible procurement requirements, such as:

develop[ing] counting rules, eligibility criteria, and must-offer obligation[s] for use-limited resources, preferred resources, combined cycle gas turbines, and energy storage resources.⁴

Throughout this proceeding, Calpine has repeatedly expressed concern regarding the treatment of combined cycle gas turbines (“CCGT”) and use-limited resources in the JP/ED Proposals.⁵ For example, with respect to CCGTs, the 90-minute cold start threshold for whether the minimum generation block of a resource might be considered “flexible” artificially limits the amount of flexible capacity associated with CCGTs, many of which cannot start cold in 90 minutes. Moreover, the limitation does not reflect the manner in which most CCGTs operate – that is, most CCGTs either rarely turn off or start so frequently that only a relatively small fraction of starts are cold.⁶

With respect to use-limited resources, Calpine has urged the development of appropriate counting rules applicable to all use-limited resources—including storage, demand response, and combustion turbines—not just hydro. Special rules for one particular resource type have the potential to distort the procurement process by providing an unfair advantage to that resource.

While the body of the Proposed Decision specifically references workshops to consider flexible capacity counting rules for CCGTs,⁷ Findings of Fact 20 refers to modifications of

⁴ Proposed Decision at 57.

⁵ See e.g., Reply Comments of Calpine Corporation (April 15, 2013) at 4.

⁶ See Reply Comments of Calpine Corporation at 4.

⁷ Proposed Decision at 57.

counting rules for only preferred and use-limited resources. To ensure consistency, Findings of Fact 20 should be revised to state:

20. There are a number of details remaining to be determined to fully implement the Joint Parties' Proposal, as appropriately modified, for a mandatory flexible capacity framework starting in RA year 2015, including counting of combined cycle gas-turbine resources, use-limited resources, and preferred resources.

Consistent with the Proposed Decision, Calpine looks forward to the further development of appropriate flexible capacity counting rules in workshops.

II. THE PROPOSED DECISION SHOULD MAKE CLEAR THAT IT IS NOT ADOPTING THE FLEXIBLE CAPACITY COUNTING RULES IN THE JP/ED PROPOSALS

While the Proposed Decision indicates that flexible capacity counting rules require further development, it may inadvertently leave the impression that it is adopting the specific flexible capacity counting rules in the JP/ED Proposals. For example, the body of the Proposed Decision provides:

The adopted framework is shown in detail in Appendix A. However, we do not adopt the specific words or terminology of the Joint Parties Proposal; instead of editing the exact language, we spell out the elements of the adopted framework as derived from the Joint Parties Proposal with necessary modifications. We discuss below what will occur between now and 2015 as we move toward implementation of the framework.⁸

Similarly, Ordering Paragraph 5 provides:

5. The Resource Adequacy (RA) program is modified by adoption of a flexible capacity framework as shown in Appendix A for all Load Serving Entities, as defined by Public Utilities Code Section 380(j). The flexible capacity framework will be mandatory starting with RA compliance year 2015. The adopted framework shall be in effect through RA compliance year 2017.⁹

⁸ Proposed Decision at 44.

⁹ Proposed Decision at 69 (Ordering Paragraph 5).

Appendix A, however, contains the flexible capacity counting convention from the JP/ED Proposals that is ostensibly the subject of the workshops contemplated in the Proposed Decision to refine flexible capacity counting rules. Accordingly, the Proposed Decision should be modified to clarify that it is not adopting elements of the JP/ED Proposals that will be under consideration in future workshops.

III. THE PROPOSED DECISION SHOULD CLARIFY PROVISIONS RELATED TO SALES OF FLEXIBLE AND GENERIC RA FROM THE SAME RESOURCE

The Proposed Decision confuses an important issue related to whether a supplier has the option to sell potentially flexible capacity as generic capacity. The Energy Division Proposal recommends that:

A generator may choose not to sell the flexible portion and instead sell the resource's entire capacity as generic capacity. However, should a generator decide to sell any flexible capacity from its resource then it *must bundle each flexible MW sold with an equivalent MW of generic capacity.*¹⁰

Consistent with the Energy Division Proposal, Appendix A recognizes that “[a] resource owner may elect to sell any portion of qualified flexible capacity as inflexible,” without any apparent constraints on how different blocks of capacity within the same resource are sold.¹¹

The body of the Proposed Decision, however, subtly changes the Energy Division Proposal:

A generator may choose not to sell the flexible portion and instead sell the resource's entire capacity as generic capacity. However, should a generator decide to sell any flexible capacity from its resource then it must sell the entire capacity as generic capacity.¹²

¹⁰ Energy Division Proposal at 7 (emphasis added).

¹¹ Proposed Decision, Appendix A at 5.

¹² Proposed Decision at 20.

Calpine's understanding of the Energy Division Proposal is that it allows specific capacity that is potentially flexible to be sold as generic but that selling specific flexible capacity as generic does not necessarily obligate the supplier to sell the entire capacity of the associated resource as generic. The body of the Proposed Decision should be clarified so that it is consistent with Appendix A (and the Energy Division Proposal).

Respectfully submitted,

/s/

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Appendix A

Subject Index List Recommend Changes to Proposed Decision

On page 20, the body of the Proposed Decision should be revised to state:

A generator may choose not to sell the flexible portion and instead sell the resource's entire capacity as generic capacity. However, should a generator decide to sell any flexible capacity from its resource then it must ~~sell the entire capacity as generic capacity~~ bundle each flexible MW sold with an equivalent MW of generic capacity.

On page 64, Findings of Fact 20 should be revised to state:

20. There are a number of details remaining to be determined to fully implement the Joint Parties' Proposal, as appropriately modified, for a mandatory flexible capacity framework starting in RA year 2015, including counting of combined cycle gas-turbine resources, use-limited resources, and preferred resources.

On page 69, Ordering Paragraph 5 should be revised to state:

5. The Resource Adequacy (RA) program is modified by adoption of a flexible capacity framework as shown in Appendix A and to be further revised in workshops for all Load Serving Entities, as defined by Public Utilities Code Section 380(j). The flexible capacity framework will be mandatory starting with RA compliance year 2015. The adopted framework shall be in effect through RA compliance year 2017.