

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

Order Instituting Rulemaking to Integrate and Refine
Procurement Policies and Consider Long-Term
Procurement Plans.

R. 12-03-014
(Filed March 22, 2012)

**REPLY COMMENTS OF CALPINE CORPORATION
ON TRACK 3 PROPOSED DECISION MODIFYING
LONG-TERM PROCUREMENT PLANNING RULES**

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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 reply comments on the Track 3 proposed decision modifying long-term procurement planning rules (“PD”).

In its opening comments, Calpine recommended that the definition of “upgraded plants” in the PD be revised to clarify that upgrades to existing plants that enhance operating characteristics, but do not increase capacity, are eligible to compete in long-term solicitations for new resources.¹ Of concern to Calpine was that one aspect of the definition could be read to suggest that only upgrades that result in incremental capacity would be eligible to bid into long-term solicitations. Furthermore, as Calpine noted in its opening comments, the PD should be revised to expressly prohibit discrimination between new and existing resources – irrespective of whether the existing resource has been upgraded.²

In its opening comments, NRG Energy, Inc. (“NRG”) states that the definition of “upgraded plants” clearly provides that existing facilities can be bid into new generation solicitations only “if they provide additional MW.”³ In addition, NRG states that “solicitations undertaken pursuant to procurement authorized in the Long Term Procurement Planning

¹ *Comments of Calpine Corporation on Track 3 Proposed Decision Modifying Long-Term Procurement Planning Rules* at 2.

² *Comments of Calpine Corporation on Track 3 Proposed Decision Modifying Long-Term Procurement Planning Rules* at 1.

³ *Opening Comments of NRG Energy, Inc. on the Track 3 Proposed Decision* at 2.

Proceeding should be limited to new generation.”⁴ The Commission should reject these positions.

With respect to the definition of upgraded plants, the PD, does not so clearly support NRG’s interpretation. On the contrary, the definition identifies expansions and enhancements as distinct types of upgrades:

Upgrades are defined as expanding the generation capacity at, *or enhancing the operation of*, a generation facility. . . .⁵

NRG’s interpretation disregards this part of the definition and demonstrates the need for the clarification addressed in Calpine’s opening comments. Accordingly, the definition of “upgraded plants” should be revised to state:

Upgraded plants: Upgrades are defined as expanding the generation capacity at, or enhancing the operation of, a generation facility, so long as such incremental MW and/or enhanced operating characteristics can provide the necessary attributes that the Commission has authorized the utility to procure. An upgraded plant or a plant with incremental capacity additions would be a plant where the main generating equipment is retained and continues to operate.

More generally, limiting participation in long-term solicitations to new capacity is discriminatory, inefficient and ultimately raises customer costs.⁶ Clarifying the definition of “upgraded plants” consistent with Calpine’s opening comments will provide internal consistency within the definition. Moreover, and more importantly, ensuring that existing capacity

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⁴ *Opening Comments of NRG Energy, Inc. on the Track 3 Proposed Decision* at 2.

⁵ See PD, mimeo at 29 (emphasis added).

⁶ *Comments of Calpine Corporation on Track 3 Proposed Decision Modifying Long-Term Procurement Planning Rules* at 1.

(upgraded or not) is allowed to participate in long-term resource solicitations will encourage the more efficient procurement of plants with the operating characteristics needed to ensure ongoing reliability.

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