

EIM Transition Period

Draft Final Proposal

Dated: December 15, 2014
Comments Submitted: December 29, 2014

Summary:

Calpine conditionally supports a limited extension to parameter-pricing suspension but only as it relates to PacifiCorp and not as a standard condition of the ISO tariff. Specifically, if and only if necessary, Calpine supports and expedited filing at FERC to extend the suspension of default parameter pricing in the PacifiCorp EIM area for 3 additional months. Calpine does not support the reduction in bid caps or the 12-month extension.

Calpine would prefer preparation and the application of lessons-learned rather than a tariff-based transition period for new EIM entity start-ups. Calpine requests that permanent transition-period tariff modifications applicable to other new EIM entities be considered over the next several months.

A Short Extension to the Current Transition Mechanism for PacifiCorp is Reasonable.

Calpine does not object to a short extension to the Transition Period for PacifiCorp EIM integration into the CAISO markets. While immunity from parameter pricing is unprecedented, we understand that the learning curve is steep and that many lessons have been learned by all parties.

Calpine Does Not Support a 12-month Transition, for PacifiCorp or others.

Based on the CASIO November report on implementation, and the substantial progress identified therein, we see no compelling reason for the transition period to extend out 12 months. Rather, we would support a request by the CASIO to extend the current parameter-pricing suspension no longer than another 3 months.

Calpine Opposes to the Bid Cap Proposal.

The Final Draft Proposal recommends a very low bid cap with a step-wise increase over the 12-month transition period. This proposal would create a circumstance where there are different bid caps between CAISO integrated DA markets (and west-wide bilateral markets) and the EIM. In addition, different bid caps would be present within the ISO RT market. Unintended distortions are possible, particularly in times of true scarcity.

The driving factor for these discriminatory bid caps appears to be the absence of mitigation at the interties between the ISO and PacifiCorp. In spite of the very low volumes transferred in RT, the ISO believes that the current price caps would allow prices that are “too high”; it could simply suspend EIM transfers at the interface.

Finally, Calpine does not understand the ISO’s view that if \$1000 is “too high” today, how 12 months hence – and without intertie market power mitigation – the circumstance will be any different. 15 minute scheduling is available at all ties today and the ISO did not feel compelled to suppress those bid caps pending a 12 month delay to allow “an additional source of market liquidity”.

Calpine Suggests Separate Consideration of PAC and other New EIM Entities.

Since the next EIM Entity (NVE) will not join the ISO until October 1, 2015 at the earliest, Calpine requests that any consideration of a tariff-based transition mechanism be conducted over a more deliberate schedule.

Calpine believes that preparation is superior to after-the-fact protection. And in looking at the CAISO’s review of initial implementation of the EIM in PacifiCorp, it is abundantly clear that despite heroic efforts on the part of both the ISO and PacifiCorp, significant issues were present at Go-Live (e.g., coordination with reserves-sharing, inclusion of significant generation resources like Jim Bridger.)

Calpine would prefer a diligent review of lessons-learned with the implementation of the PacifiCorp EIM with an eye to eliminating the need for any transition period. Among many other things, this review could require the following:

- As with initial operation of the ISO in 1998, an EIM Entity CEO attestation could be required acknowledging preparedness and acceptance of market risk; and
- Confirmation from any reserves sharing organizations that contingency responses will be communicated effectively; and

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- An extended period of parallel testing that includes not only the CAISO and EIM Entity, but visibility by all other market participants (including existing EIM Entities); and
- A series of structured and unstructured tests that include complete bid to bill functionality.

In other words, Calpine supports the implementation of fully functional extensions to the RT market, based on preparation and confidence rather than possibly disruptive protections.

Thanks