



Capacity Auction Reforms (CAR) – Additional Thoughts

We appreciate ISO's solicitation for further comments on the CAR scope of work. Below is a brief elaboration of our suggestion w/r/t tie benefits, and how they should be included in the scope of work.

Our main point is that any supply source, including imports, used to meet capacity requirements should be counted similarly and subject to similar performance requirements. This standard is consistent with the ISO's capacity market objectives, and our point is that the ISO should apply this standard to the CAR work (*i.e.*, include it in the CAR scope of work).

Both internal capacity resources and tie benefits (*e.g.*, HQICCs) are currently counted towards capacity requirements (ICR). Consequently, Calpine believes tie benefits should be counted similarly (to the extent possible) as internal resources, and perhaps even more importantly, be subject to the same performance requirements, including PfP. Most of the discussion around tie benefits related to CAR has focused on the supposed challenges of counting tie benefits. While Calpine continues to support more rigorous counting, Calpine notes that a potentially bigger but more easily addressed problem is the fact that ties are assumed to perform/treated as perfect capacity and not subject to performance requirements. Calpine recognizes that logical implication of this requirement would be that all imports that count towards ICR would be contracted. Calpine believes that if capacity over the ties is in fact available, then a supplier/marketer should be willing to take on a CSO to assure its availability. In addition, this approach is fair, *i.e.*, just as internal capacity without CSOs is not counted towards capacity requirements, neither should imports without CSOs and the associated performance requirements. Further, Calpine notes that this is how imports are treated under California's resource adequacy program. While other markets, including PJM, may rely on a limited amount of tie benefits/uncontracted imports to meet capacity requirements, those markets do not rely on imports to the same extent (relative to total capacity requirements) as New England and California.

In summary, Calpine requests that ISO give due consideration to tie benefits, both their counting and how they are contracted/secured, in the CAR process.