

**Comments of Calpine Corporation On  
Bonneville Power Administration's Proposals to Address Congestion  
Submitted on September 15, 2006**

Calpine Corporation ("Calpine") submits these comments on Bonneville Power Administration's ("BPA") proposals to address congestion on its transmission system as presented at the September 7<sup>th</sup>, 2006, public workshop. Calpine appreciates this opportunity to provide comments as it has strong interests in both reliable grid operations and efficient energy markets in the Northwest.

Calpine is an independent power producer ("IPP") with 90 generating facilities located throughout the United States. Calpine, through its subsidiary, Goldendale Energy Center, L.L.C., owns the Goldendale facility, a 277 MW natural gas-fired combined-cycle generation facility in Goldendale, Washington. Additionally, through its subsidiary, Hermiston Power Partnership, Calpine owns the Hermiston facility, a 617 MW natural gas-fired, combined cycle generation facility located near the City of Hermiston in Umatilla County, Oregon. BPA is the transmission provider and control area operator for the Goldendale and Hermiston facilities.

Calpine is very concerned that BPA's congestion management proposals (i) are discriminatory, unfair, and unjust to independent power producers ("IPP"); (ii) do not take into account physical and temporal constraints that will be faced by market participants, especially IPPs, that are required to implement the congestion management proposals; and (iii) are not compatible with current commercial broker practices in BPA's spot (bilateral) energy market. Calpine urges BPA to meet with IPPs and marketers to eliminate or reduce these unintended consequences of its congestion management proposals.

First, Calpine is disheartened that BPA's congestion management proposals are predicated on continued implementation of flawed E-tagging requirements that apply only to IPPs. BPA's IPP E-tagging requirement imposes severe time constraints that hamper an IPP's ability to re-supply physical obligations when it faces a contingency. Instead an IPP is forced to seek a financial resolution, i.e. pay liquidated damages rather re-supply and re-serve its physical obligations. This increases reliability risks. In addition, the severe time constraints imposed by the new E-tagging rules make it very difficult for an IPP to de-rate intra-day when requested to do so by BPA for reliability purposes.

While the new IPP E-tagging rules impose significant burdens on IPPs, it is not clear that any great benefit is provided to BPA as a result. The new rules only affect 3000 MW in a control area that may see 50,000 MW during periods of congestion. The E-tags only relay information about contract paths, not actual physical paths. Moreover, notwithstanding the new rules, BPA apparently still does not incorporate SCADA (real-time meter data) or its own hourly scheduling system (CWI) data in operating the grid, even though this information would provide greater benefit. As the new E-Tagging rules only apply to IPPs, the burdens imposed by the new rules create a discriminatory market environment for IPPs to operate in. As such, BPA must address IPP concerns with regards to E-Tagging prior to moving forward on any congestion management proposals that assume continuation of current IPP E-tagging requirements.

Second, the proposed congestion management proposals are inconsistent with current commercial broker practices in BPA's spot (bilateral) energy market that trade energy based on what is essentially a zonal (Mid-C) delivery point. The current congestion management proposals, such as requesting network transmission for point to point, would impose undue risk on many sellers in the bilateral spot market. Transactions are executed daily at Mid-C prior to knowing the sources and sinks. Counter-parties cannot be required to request point-to-point transmission prior to executing Mid-C transactions. Moreover, a decrease in participation in spot markets (or an increase in mid- and long-term market participation) would reduce the ability of all market participants to make efficient market decisions as market conditions change. For example, a party that committed itself in long-term deals with nominated point-to-point transmission, cannot effectively participate in spot market transactions. It would find it difficult to back down its own generation and substitute it with spilled hydro generation even when it would otherwise be financially efficient to do so because transmission may not be available. The participant would have to cancel the original nominated point-to-point and resubmit a new request for the new path under the assumption that it would be available.

Third, Calpine makes the following specific suggestions:

- The INC bid cap of \$400/MWh should be a "soft" rather than hard price cap and automatically update as the FERC-mandated energy price cap changes over time.
- The INC bid cap should be coupled with a soft DEC bid cap of zero.
- Since INC and DEC bids will be submitted day ahead, BPA's software must have a mechanism for adjustments in real time.

- Combined cycle generators should be able to submit a separate Pmin, Pmax and ramp time for each configuration (1x1, 2x1, etc.).
- Rather than submitting a single DEC or INC bid, a generator should be allowed to submit a price curve across its entire operating range for both INC and DEC bids.
- In implementing interim congestion management provisions now, BPA should retain flexibility in its software design where possible to allow it to join an RTO or otherwise move to a nodal congestion management protocol in the future.

Calpine is appreciative of BPA's efforts to proactively address the transmission congestion issues that are affecting its transmission system. Calpine appreciates the opportunity to provide these comments and looks forward to participating in this public process. We are optimistic that congestion management can be addressed in a manner that ensures grid reliability, is non-discriminatory to IPPs, and facilitates efficient energy markets. If you have any questions or concerns, please do not hesitate to contact Linda Y. Sherif, regulatory counsel, at (925) 479-6696.