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Subject: Calpine comments on draft planning process document

John,

as we discussed at the Generator Sector meeting earlier today, and as I mentioned in my remarks to Bill Museler and the others present, we are very concerned that a reliability shortfall may soon ensue in New York. We are also concerned that the draft planning process as currently described -- because it might not yet be defined robustly enough to properly consider all of the available procedural, as well as physical, options for "market-based responses" -- may not sufficiently urgently address the specter of a reliability shortfall. In addition, if the overall process is not as unconstrained as possible (i.e., if it doesn't allow for the timely consideration of all known substantive options), the "solution" may also tend to be less than optimal in terms of the ultimate total delivered cost of power to end users. Thus, we are suggesting that there is a need to supplement the attached document (and the eventual process that it describes) to more explicitly and integrally reflect the fact that market rule changes per se can result in increased system reliability (e.g., by going to an ICAP auction market structure that has significantly longer contract lengths than presently for some of the system's load requirements). Further, the "new market rule" option should be used concurrently in parallel, and hand-in-hand, with physical equipment-based market responses. This is also because it is counterproductive and inefficient to set up the basis of the entire process to require waiting until there is "market failure" before contemplating any market rule changes (as is currently noted in section 7.1.4 on page 15) -- and of course by then it might also be too late to prevent a reliability problem in any case. Finally, we believe that -- by specifically noting this rule-based procedural option in the text -- the importance of using all available means well in advance to prevent a reliability shortfall will be clearly and properly recognized. To help accomplish this goal, we suggest that the following sentences (or their equivalent) be added:

1) (as an additional bullet in 4.2.4 "Input from Stakeholders" on page 9) "Suggestions for changes in market rules which would result in the identification of additional resources suitable for meeting reliability requirements."

2) (as an additional sentence in 6.1 "Market-Based Responses" on page 13) "Concurrently and in parallel with the foregoing, the market participants and/or the NYISO will specify and implement market rule changes which would result in the identification of additional resources suitable for meeting reliability requirements."

Of course, if the foregoing additions are accepted, a few other cosmetic conforming changes would also have to be made elsewhere in the text. We thank you very much for the careful consideration of these suggestions. If possible, please feel free to distribute them (along with this email message for context) to all concerned in time to be discussed at the ESPWG meeting on Monday.

Best regards.....Rich