UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	))	Docket No. ER15-1783-000

ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO PROTEST

The California Independent System Operator Corporation (CAISO) respectfully submits this motion for leave to answer and answer[1] to the protest submitted by the NRG Companies (NRG) in the above-captioned proceeding. The basis for NRG's protest is its view that non-resource adequacy capacity committed by the CAISO's market optimization software when the CAISO creates a minimum online commitment constraint (MOCC) should be eligible to receive a capacity procurement mechanism (CPM) designation in certain circumstances.

NRG fails to show why non-resource adequacy capacity that a scheduling coordinator voluntarily bids into the market and that the CAISO's market optimization software commits in economic merit order to meet a MOCC should receive a CPM designation. In addition, NRG's proposal would result in unduly preferential and discriminatory treatment of non-resource adequacy resources committed in connection with a MOCC, undermine the proposed CPM competitive solicitation process, and erode the demarcation between energy markets and capacity procurement processes. Accordingly, for the reasons discussed herein and in the CAISO's May 26 tariff amendment filing (May 26 Filing), the Commission should reject NRG's protest.

[1] The CAISO submits this motion and answer pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213 (2014).

I. BACKGROUND

On May 26, 2015, the CAISO submitted a Section 205 filing with the Commission requesting that the Commission issue an order by September 21, 2015, approving: (1) tariff amendments implementing revisions to the CAISO's existing CPM that expires on February 16, 2016; and (2) an Offer of Settlement resolving all issues in this proceeding except one—whether non-contracted capacity that the CAISO market optimization software commits to meet a MOCC should receive a CPM designation.

In the May 26 Filing, the CAISO provided multiple reasons establishing why capacity that is voluntarily bid into the CAISO market and economically committed by the market optimization software should not receive a CPM designation. The CAISO also pointed out in its May 26 Filing that the CAISO's operating procedures preclude the CAISO from leaning on non-resource adequacy capacity in enforcing a MOCC because sufficient resource adequacy capacity must be available before the CAISO can even establish and utilize a MOCC.

No intervenor opposes the Offer of Settlement. With respect to the single issue carved out from the Offer of Settlement, NRG is the only party that argues non-resource adequacy capacity committed by the CAISO's market optimization software when the CAISO enforces a MOCC (*i.e.*, a "MOCCd" unit) ever should be eligible to receive a CPM designation. NRG also provides a proposed approach for the CAISO to follow in evaluating whether such resources actually should receive a CPM designation.

II. MOTION FOR LEAVE TO ANSWER PROTEST

The CAISO respectfully requests authorization to respond to the protest filed in this proceeding. Notwithstanding Rule 213(a)(2),[2] the Commission has accepted answers to protests that assist the Commission's understanding and resolution of the issues raised in the protest,[3] clarify matters under consideration,[4] or materially aid the Commission's disposition of a matter.[5] The CAISO's answer will clarify matters under consideration, aid the Commission's understanding and resolution of the issues and help the Commission to achieve a more accurate and complete record, on which all parties are afforded the opportunity to respond to one another's concerns.[6] Accordingly, the Commission should accept this Answer.

III. ANSWER

A. NRG's Protest Rests on Flawed Premises, Irrelevant Information, and Material Mischaracterizations

1. The CAISO Market Software Commits Resources in Economic Merit Order When The CAISO Enforces A MOCC

NRG "protests the proposal to categorically prohibit resources taken out-of-merit to meet a Minimum Online Commitment Constraint ('MOCC'), but relied upon for system reliability, from receiving a CPM designation."[7] As the CAISO indicated in its May 26 Filing, MOCC commitments are not out-of-market, and the CAISO market software does **not** take resources (either resource adequacy or non-resource adequacy) out of

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[2] 18 C.F.R. § 385.213(a)(2) (2014).

[3] *Sw. Power Pool, Inc.*, 89 FERC ¶ 61,284 at 61,888 (1999).

[4] *Ariz. Pub. Serv. Co*., 82 FERC ¶ 61,132 at 61,477 (1998); *Tenn. Gas Pipeline Co*., 82 FERC ¶ 61,045 at 61,186 (1998).

[5] *El Paso Natural Gas Co*., 82 FERC ¶ 61,052 at 61,200 (1998).

[6] *No. Border Pipeline Co.*, 81 FERC ¶ 61,402 at 62,845 (1997); *Hopkinton LNG Corp*., 81 FERC ¶ 61,291 at 62,382 (1997).

economic merit order when it commits them to meet a MOCC. When enforcing a MOCC, the CAISO market software only considers resources that have submitted bids in the energy market, and it commits the bid-in resources in economic merit order. Specifically, the CAISO market software considers start-up, minimum load, and energy bids in making commitment decisions.

2. The CAISO Will Create and Utilize A MOCC Only If It Has Sufficient Resource Adequacy Capacity

NRG implies that the CAISO may not be able to satisfy a MOCC using only resource adequacy capacity.[8] NRG ignores CAISO Operating Procedure 1210 pursuant to which the CAISO will create and utilize a MOCC only if two pre-conditions are satisfied: (1) there must be sufficient resource adequacy, RMR, or CPM capacity to meet the MOCC requirement; and (2) there must be at least two market resources defined in the MOCC constraint.[9] If there is insufficient resource adequacy, RMR, or CPM capacity, the CAISO cannot establish a MOCC unless additional capacity is made available either through a change in unit status or an Exceptional Dispatch CPM. Under these circumstances the CAISO clearly is not relying or "leaning" on non-resource adequacy capacity when it establishes a MOCC.

3. NRG Mischaracterizes The CAISO's Arguments

In the May 26 Filing, the CAISO noted that when a market run includes a MOCC the CAISO cannot identify which specific resources that were committed in merit order would not have been committed but for enforcement of the MOCC. Dr. Tabors claims

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[7] NRG Protest at 1. At page 8 of its protest, NRG also suggests that MOCC commitments are out-of-market.

[8] *Id.* at 10.

[9] May 26 Filing at 26-27.

that this is the CAISO's "main counterpoint" to NRG's position that non-resource adequacy resources that are committed to meet a MOCC should be eligible to receive a CPM designation. [10] He is mistaken.

In sub-section A-D of Section VI of the May 26 Filing, the CAISO provided four pages of argument and discussion of Commission precedent demonstrating why non-resource adequacy resources that voluntarily bid into the market and are committed by the market optimization software when the CAISO establishes a MOCC should not receive a CPM designation. Importantly, **none** of the CAISO's arguments relies on, or is based upon, the fact that the CAISO cannot identify which resources would not have been committed but for enforcement of a MOCC. The CAISO only noted this fact in the background section of its discussion of the carved out issue (prior to making its specific arguments) to describe how the MOCC functions; that hardly constitutes a "main counterpoint" to NRG's arguments. Dr. Tabors and NRG ignore most of the CAISO's actual arguments.

Based on his mischaracterization of the CAISO's arguments, Dr. Tabors asserts that if the CAISO software is unable to perform the task of distinguishing resources committed to meet the MOCC and resources committed to provide energy and ancillary services, then the CAISO should revise its software.[11] Dr. Tabors' proposal is irrelevant, serves no practical purpose, and would only result in an unnecessary expense. It does not matter which resources the CAISO commits specifically to meet a MOCC and which are committed to provide energy. The market software commits the

10 Tabors affidavit at ¶ 15.

11 *Id.* at ¶ 21.

lowest cost capacity to meet the combined MOCC and energy needs. As noted above and in its May 26 Filing, sufficient resource adequacy capacity must be available for the CAISO to even create and utilize a MOCC in the first instance. The CAISO does not need to evaluate which resources were committed due to the MOCC *ex post* because the CAISO already ensured that there was sufficient resource adequacy capacity available *ex ante*. The CAISO could simply use resource adequacy resources to meet the MOCC and not commit any non-resource adequacy resources. However, the CAISO's approach creates a market opportunity for non-resource adequacy resources to earn revenues that would not otherwise exist and is consistent with non-discriminatory economic dispatch principles.[12]

4. NRG's Discussion of Energy Market Price Signals Is Irrelevant

NRG objects that, to the extent a MOCC resource operates at minimum load levels, it is not considered "marginal" and therefore cannot set the energy price in the market. NRG complains that this fails to send a "transparent" price signal.[13]

NRG's statements are beyond the scope of, and irrelevant to, a decision on the sole issue carved out by the Offer of Settlement, *i.e,* "whether the noncontracted capacity of a resource committed by the CAISO market software to meet a minimum online commitment constraint should receive a CPM designation."[14] The issue set for decision is not how MOCC energy should be priced in the energy market, and the

[12] Further, to the extent the CAISO needs to enforce a MOCC and its assessment shows that sufficient resource adequacy capacity is not available, the CAISO will Exceptionally Dispatch non-resource adequacy resources before establishing the MOCC. This will result in a CPM designation. Thus, the CAISO's MOCC operating procedure also creates a CPM opportunity for non-resource adequacy resources.

[13] NRG Protest at 4.

[14] Offer of Settlement at ¶ 2.4.

CAISO's CPM tariff amendment has nothing to do with energy market pricing. Regardless of how the resource was committed, any resource that operates at minimum load is not considered marginal and therefore cannot set the energy price in the market. In any event, granting a CPM designation to non-resource adequacy capacity committed in connection with a MOCC would not remedy the particular concern expressed by NRG because it would not affect the price in the energy market. In particular, it would not affect LMPs or enable MOCC energy to set the LMP. NRG inappropriately conflates energy market and capacity market concepts.

In fact, NRG's proposal would significantly decrease transparency and efficiency because the market software does not account for the costs of a CPM designation when it commits resources. This would produce the counterintuitive result of the market software committing resources whose actual costs will be significantly greater than their market bids as well as the costs of other bid-in resources due to the unaccounted-for costs associated with the CPM designation. Again, this confuses energy and capacity procurement for which the CAISO has two separate and distinct market processes.

NRG's proposal also promotes the gaming opportunity identified in the May 26 Filing, *i.e.,* non-resource adequacy resources could submit low bids in the energy market to better ensure commitment and favorably position themselves to receive a CPM.[15] Stripped to its essence, Dr. Tabor's and NRG's proposal seeks to bootstrap the CAISO's creation of a MOCC, along with voluntary participation in the energy and ancillary services markets, into a potential CPM capacity designation.[16] There is no

[15] May 26 Filing at 28-29.

[16] If the CAISO were not enforcing a MOCC, but merely committing resources to provide energy and ancillary services, the instant discussion would not even be happening; indeed, NRG does not

precedent in any organized market for such a significant shift in the energy market paradigm.

NRG also mischaracterizes the nature of a MOCC commitment. MOCCs will only commit resources (bid-in resource adequacy and non-resource adequacy resources) up to minimum load. Any energy scheduled above minimum load is not due to a MOCC, but due to the energy bids being economic and therefore picked up by the market software to serve energy demand. The commitment, scheduling, and pricing of the energy are fully consistent with economic dispatch and are transparent both to the committed resources and ultimately to the market. This is further enforced by NRG's own protest that references information from public CAISO data.

5. NRG's Discussion Of Partial-Resource Adequacy Resources Is Irrelevant

NRG also mentions a situation in January 2013 where the CAISO committed and dispatched a partial-resource adequacy unit. NRG "strongly suspects" the CAISO relied on the non-resource adequacy capacity of that resource to maintain system reliability. NRG complains that the CAISO did not assess whether it relied on non-resource adequacy capacity above the amount of the unit's resource adequacy capacity.

This is another irrelevant point. No MOCC was involved in this example. Further, under the CAISO tariff, if the CAISO exceptionally dispatches a resource that does not have any resource adequacy capacity, the CAISO will conduct an *ex post* assessment to determine whether it was relying on more capacity than it actually

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propose that, absent a MOCC, non-resource adequacy resources submitting energy or ancillary services bids that are accepted by the CAISO be eligible to receive a CPM designation if they are later utilized in the day to meet some unexpected reliability need. The mere need to create a MOCC should not change the result because the CAISO will always have sufficient resource adequacy resources to meet the MOCC or it will Exceptionally Dispatch (and CPM) a non-resource adequacy resource.

exceptionally dispatched.[17] If so, the CAISO will increase the amount of the CPM designation by the incremental amount of capacity on which it relied. Because NRG's resource was a partial-resource adequacy resource (*i.e.,* the resource had resource adequacy capacity), however, the *ex post* process under the tariff did not apply. As NRG acknowledges in its protest, to address this gap, the CPM Offer of Settlement and tariff provisions submitted therewith, provide that, effective March 1, 2016, the CAISO will also perform the *ex post* assessment to determine whether the CAISO relied on the non-resource adequacy capacity of an exceptionally dispatched partial-resource adequacy resource that was not self-scheduled or subject to a market commitment. Thus, NRG's example serves no point related to its protest.

B. The Commission Should Reject NRG's Flawed Counter-Proposal to Provide a CPM to Non-Resource Adequacy Resources Committed By the Market Software In Connection With an MOCC

NRG claims that the CAISO is relying on non-resource adequacy in three instances that require a CPM designation. These examples are described in paragraphs 10, 12, and 13 of Dr. Tabors' affidavit. In the first example the CAISO commits a non-resource adequacy resource in economic merit order to enforce a MOCC and, due to changing system conditions or outages closer to real-time, the MOCCd unit is the only resource that can meet those new CAISO reliability needs. In the second example, a unit is MOCCd and, due to changing system conditions or outages closer to real-time, had that unit not already been online by virtue of having been MOCCd, then the CAISO would have had insufficient resource adequacy resources committed and would have had to issue that MOCCd unit an Exceptional

[17] CAISO tariff section 43.2.5.2.1.

Dispatch, which in turn would have triggered a CPM designation. In the third example, the CAISO commits multiple non-resource adequacy resources through the market dispatch ahead of resource adequacy resources because they cost less in merit order but then conditions change after the day-ahead market such that the CAISO would have dispatched the resource adequacy in the day-ahead market had in known about the altered conditions. In the example those uncommitted resource adequacy resources, however, cannot be brought on in time to meet the need. The CAISO nevertheless can still meet its reliability requirements because the non-resource adequacy resources are running at partial or full capacity.[18]

NRG proposes that if the CAISO commits a non-resource adequacy resource or partial-resource adequacy resource through the market optimization because of a MOCC, the CAISO must conduct an assessment similar to the assessment the CAISO conducts when it Exceptionally Dispatches a non-resource adequacy resource to determine whether the CAISO was relying on non-resource adequacy capacity.[19] NRG states that if the CAISO verifies that all constraints, including MOCC, could be satisfied by relying on resource adequacy capacity then no further analysis is required. NRG clarifies that non-resource adequacy capacity that is committed in the day-ahead market would not receive a CPM designation when it becomes the only capacity that can meet a reliability need solely because the time has advanced past the start-up times of available resource adequacy resources.[20]

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[18] From Dr. Tabors' affidavit, it is unclear how a MOCC figures into this third example provided at ¶ 13.

[19] NRG Protest at 7.

[20] NRG Protest at 10.

1. NRG's Proposal Would Produce Unduly Preferential and Discriminatory Results

NRG argues that its proposal is just and reasonable because, under the circumstances described above, it is unduly discriminatory to grant a CPM designation to a non-resource adequacy resource that is Exceptionally Dispatched but not to grant a CPM designation to a non-resource adequacy resource that is committed in economic merit order in circumstances when the CAISO establishes a MOCC. NRG states that the two resources are providing comparable reliability services.[21] NRG argues that not fully incenting non-resource adequacy resources from submitting energy bids will not ensure a reliable and well-functioning market. Dr. Tabors states that non-resource adequacy resources should be incented to bid into the markets, and thus not withhold their capacity, because that will increase competition and reduce prices.

Contrary to NRG's claims, non-resource adequacy capacity that the market software commits in economic merit order to meet a MOCC is not similarly situated to non-resource adequacy capacity that receives a CPM designation as the result of an Exceptional Dispatch.[22] Granting a CPM designation to a non-resource adequacy resource that the CAISO commits in connection with a MOCC would result in unduly preferential and discriminatory treatment of such resources.

Under existing tariff section 43.2.5.2.1, non-resource adequacy capacity that the CAISO Exceptionally Dispatches is eligible to receive a CPM designation provided, *inter alia,* the capacity is not subject to a self-schedule or market-based commitment. The revised tariff provisions proposed herein and the Offer of Settlement retain this

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[21] NRG Protest at 8-9.

[22] May 26 Filing at 29-30.

treatment.[23] Thus, currently and in the future, the capacity of a non-resource adequacy resource that has been self-scheduled or subject to a market-based commitment is not eligible to receive a CPM designation. Only non-resource adequacy capacity that is not self-scheduled or subject to a market-based commitment is eligible to receive an Exceptional Dispatch designation CPM designation. Unlike Exceptionally Dispatched capacity, NRG proposes to make non-resource adequacy capacity that has a self-schedule or market-based commitment eligible to receive a CPM designation, when the self-schedule or market-based commitment occurs in connection with a MOCC. This would result in unduly preferential and discriminatory treatment of such capacity compared to Exceptionally Dispatched resources.

NRG's proposal would also result in unduly preferential and discriminatory treatment for non-resource adequacy resources committed by the market when the CAISO enforces a MOCC compared to non-resource adequacy resources that are self-scheduled or committed by the market software (at exactly the same time or some other time during the trading day for reasons other than a MOCC) – *e.g.,* to provide energy or ancillary services. The latter set of resources also are available to meet potential future unexpected reliability needs that occur later in the day but, because they were not committed in connection with the creation of a MOCC, under NRG's proposal they would not be eligible to receive a CPM designation. NRG's proposal is unduly discriminatory and preferential to the extent it grants resources committed in connection with a MOCC a CPM designation under the exact same circumstances. The fact that a non-resource adequacy resource is committed when the CAISO is enforcing a MOCC

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[23] *See* Proposed tariff section 43A.2.5.2.1.

should not grant any special status to that resource. Under the CAISO's operating procedures, the CAISO must have sufficient resource adequacy capacity available to satisfy the MOCC, or it cannot enforce the MOCC; so, a resource that is committed in connection with a MOCC only obtains that status by underbidding resource adequacy resources in the energy market. That fact should not serve as a basis for granting such resources a CPM designation as the result of some unrelated event.

Extending Dr. Tabor's logic, the CAISO would have to conduct an assessment every time it accepted an energy market bid from a non-resource adequacy resource to determine if any time during the trading day the resource was needed to meet a reliability constraint which, under the proposal put forth by NRG and Dr. Tabors, would garner that unit a CPM designation. Granting such units a CPM designation would undermine the basic purpose of the energy market and is contrary to the concepts of economic dispatch, commitment, and market optimization, as well as the Commission's prior guidance that CPM designations should result from manual dispatches, not the market optimization process.

2. NRG's Proposal Is Contrary to Commission Precedent

As discussed in the May 26 Filing, NRG's proposal ignores consistent Commission precedent that capacity a Scheduling Coordinator voluntarily bids into the market, and which the market optimization software accepts, should not also receive an "out-of-market" CPM capacity designation.[24] NRG does not even acknowledge that this precedent exists, let alone attempt to distinguish it from the circumstances at issue in its protest. The CAISO's energy and ancillary services markets are voluntary processes

[24] May 26 Filing at 27-28.

that allow resources to specify the prices at which they are willing to provide service. Because resources are able to specify a price, if the market software accepts their offer and they receive their bid price (or where applicable, a higher LMP), they have received the benefit of their bargain and should not be entitled to receive additional, unspecified capacity payments that were not taken into account by the market software in the optimization process. As the Commission has previously recognized, granting CPM designations to such resources could undercut incentives to participate in the resource adequacy program.[25] The Commission has acknowledged that requiring the CAISO to over procure CPM capacity, as would occur where MOCCd units receive such a designation, can "provide a disincentive for suppliers to participate in the resource adequacy program"[26] because it increases the likelihood that a unit will receive a CPM designation if it does not seek a resource adequacy contract.

NRG also ignores Commission precedent rejecting the argument that resources committed to provide energy to maintain reliability at a specified operational level are providing capacity services.[27] The non-resource adequacy resource was committed by the market software only because it submitted a lower-cost bid. That fact should not entitle it to a CPM designation in the event some unexpected new reliability need arises during the period in which it is committed. The resource was not committed to meet that unexpected reliability need and the fact it fortuitously meets such new need does not justify it receiving a CPM designation outside of the CPM designation process *post hoc.*

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[25] *California Independent System Operator Corporation,* 126 FERC ¶ 61,150, PP 181-82 & 191 (2009).

[26] *California Independent System Operator Corporation,* 134 FERC ¶ 61,211, P 195 (2011). *See also California Independent System Operator Corporation,* 134 FERC ¶ 61,132, P 45 (2011).

[27] May 26 Filing at 27 n.71.

3. MOCC Is Not Like Exceptional Dispatch

In the May 26 Filing, the CAISO identified some of the reasons why MOCC is not like Exceptional Dispatch. In addition, the CAISO highlights the following points of distinction.

First, resources committed when the CAISO creates a MOCC have voluntarily decided to participate in the market and, if committed, will at a minimum receive their bid price. On the other hand, Exceptionally Dispatched resources eligible for a CPM designation have made the conscious decision not to participate in the market on that particular day. The CAISO must manually dispatch them to make them available. Thus, unlike out-of-market resources that can be Exceptionally Dispatched, MOCC resources have the opportunity to earn – and have voluntarily sought to earn – market revenues.

Second, under Exceptional Dispatch, operators will allow other market actions to occur and dispatch only that amount of capacity that is necessary to satisfy the particular reliability event. On the other hand, the commitment and dispatch of MOCC resources is driven by economics, the voluntary bids of the participating resources, and the market optimization.

Third, NRG's proposal would impose unreasonable and unwarranted burdens on CAISO operations engineers. The assessment NRG would require is not equivalent to the assessment the CAISO performs when it exceptionally dispatches a non-resource adequacy resource. Exceptional Dispatches of non- or partial-resource adequacy resources are rare. When they do occur, the CAISO assesses how much capacity it actually needed from the resource to meet the specific reliability event that necessitated the Exceptional Dispatch. NRG's proposal would require the CAISO to conduct an assessment every time the market software commits a bid-in non-resource adequacy resource in connection with a MOCC. Also, unlike the narrowly targeted Exceptional Dispatch assessment that examines capacity needs in connection with the specific identifiable event that triggered the Exceptional Dispatch, NRG's proposal would require CAISO – on a *post hoc* basis every day it creates a MOCC – to scour every minute of the trading day to determine whether there were any reliability events during the day that the committed non-resource adequacy resource resolved or allowed the CAISO to avoid, and which no available resource adequacy resource could have addressed. Unlike the Exceptional Dispatch assessment, the MOCC assessment is not targeted to a single identifiable event but requires a review of the entire day's activities. If the answer to that search is "yes," then the CAISO would have to examine the start-up times of resource adequacy resources that could have addressed the event but for the fact that they could not have started up in a timely manner (but would have been available when the CAISO established the MOCC and were not committed because a non-resource adequacy resource submitted a lower bid in the energy market). This assessment is significantly more expansive and intrusive than the Exceptional Dispatch assessment.

4. NRG's Proposal Would Undermine the Capacity Procurement Mechanism Competitive Solicitation Process

The May 26 Filing and Offer of Settlement will dramatically change the process by which the CAISO procures backstop capacity pursuant to the capacity procurement mechanism. Historically, the CAISO has paid all CPM capacity the same administrative price set forth in the tariff. Effective March 1, 2016, the CAISO is eliminating the single price construct and will procure backstop capacity pursuant to a competitive solicitation process that will have a soft offer cap. As a result, resources will submits bids to the

CAISO and compete to provide backstop capacity with the CAISO selecting the lowest-cost resource that resolves the reliability problem.

NRG's proposal will undermine this new capacity procurement process because it ignores the possibility that a non-resource adequacy resource aside from the MOCCd unit stands ready to provide CPM capacity at a lower cost. The premise of NRG's proposal seems to be that a CPM designation is appropriate where a non-resource adequacy resource receives a market award in the day-ahead market but changed circumstances occur after the day-ahead market is run and those changed circumstances would have required an Exceptional Dispatch CPM had that non-resource adequacy resource not already have received a market award in the day-ahead market. Assuming, *arguendo*, that this premise is correct, it still leaves open the question of what capacity should receive the CPM designation and at what price. NRG's proposal seems to assume that the non-resource adequacy resource receiving the market award should receive the CPM designation. Although NRG does not address the issue of CPM price, presumably the CPM price would be at whatever price that resource had offered into the relevant competitive solicitation process or the CPM Soft Offer Cap, if it did not have an offer to the competitive solicitation process. NRG never explains why another non-resource adequacy resource with a standing offer to a competitive solicitation process should not also have the opportunity to compete to provide that CPM capacity. By eliminating the opportunity for such competition, NRG's proposal would force the CAISO and ratepayers to pay higher CPM costs than they otherwise would have had to pay had the CAISO been able to rely on the competitive solicitation process to select a lower cost resource to address the reliability event. NRG's proposal inappropriately conflates the energy market and capacity procurement processes by allowing a resource's energy market bid to garner a CPM designation outside of the CPM competitive solicitation process. NRG's far-reaching proposal to intertwine the energy markets and backstop capacity competitive solicitation process is unprecedented and unwarranted.

IV. CONCLUSION

For the reasons set forth herein and in the CAISO's May 26 Filing, the Commission should reject NRG's protest.

Respectfully submitted,
By: *<u>/s/ Anthony J. Ivancovich</u>*

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July 13, 2015

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each party listed on the official service list for this proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010 (2013)).

Dated at Folsom, California this 13th day of July 2015.

/s/ Anna Pascuzzo

Anna Pascuzzo