

NRG Energy, Inc. Comments on September 4, 2012 Draft Final Proposal for
Mitigation for Exceptional Dispatch in LMPM Enhancements Phase 2

Name	Company	Date
Brian Theaker	NRG Energy, Inc. ("NRG")	September 20, 2012

NRG submits these comments on the CAISO's September 4, 2012 Mitigation for Exceptional Dispatch (ExD) in LMPM Enhancements Phase 2 Draft Final Proposal ("ExD DFP").

The only change to the CAISO's proposal in the July 20, 2012 Issue Paper and Straw Proposal is that the CAISO now proposes to mitigate *all* ExD associated with non-modeled constraints. No other aspect of the CAISO's proposal was changed. Especially in light of the sharp increase in the use of ExD in August 2012, NRG remains concerned about the CAISO's proposal for increased mitigation, and offers the following comments.

The CAISO Should Justify Its Proposed Thresholds

Portions of the ExD DFP might lead one to the conclusion that the CAISO might be sympathetic to the issue of deeming a path to be non-competitive simply because it had not been congested at least 10 hours in the past 60 days:

The separate rule applied to determining the competitiveness of these paths [Paths 26 and 15] is intended to avoid having them deemed non-competitive much of the time *simply because they have not been congested at least 10 hours in the past 60 days*. (ExD DFP at 4 – emphasis added)

However, the CAISO is proposing this treatment only for Path 26 and Path 15. The CAISO is still proposing to deem every other path to be non-competitive for real-time ExD if it has not been congested at least ten hours in the past 60 days.

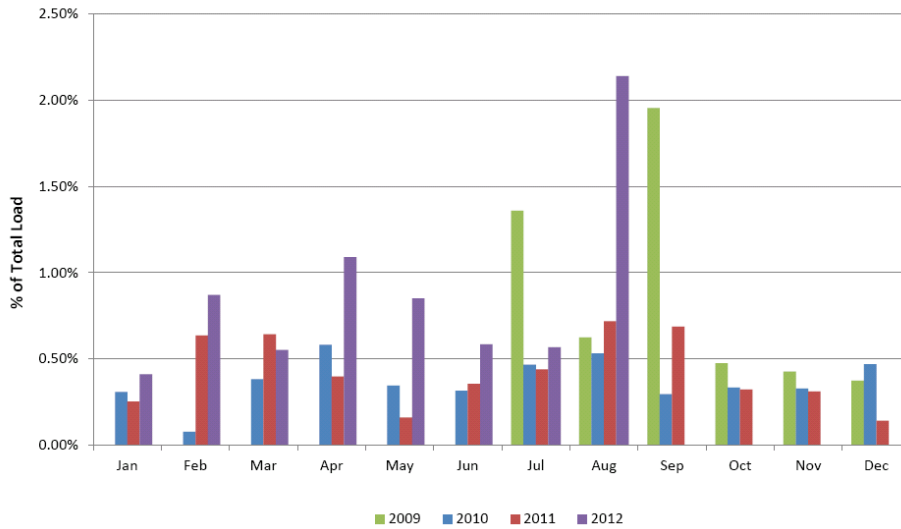
The CAISO has provided no analysis to demonstrate that these thresholds are reasonable. While these thresholds may feel to the CAISO like they "strike the right balance", without some supporting historical analysis that demonstrates that it is reasonable to assume that a transmission path that has not been congested 10 hours in the past 60 days is, in fact, non-competitive, the CAISO's proposal to mitigate real-time ExD on such un-congested paths cannot be considered reasonable.

Increased ExD Mitigation Must Be Accompanied By Increased Action to Reduce the Amount of ExD

The CAISO's proposal to expand its authority to mitigate the use of Exceptional Dispatch might be more palatable if the CAISO demonstrated that it was taking some action – *any action* – to reduce the amount of exceptional dispatch. It does not appear the amount of ExD is decreasing on its own. To the contrary, the amount of ExD in August 2012 was four times the normal amount, as demonstrated in these graphs from the CAISO's presentation from its September 12, 2012 Market Performance and Planning meeting:

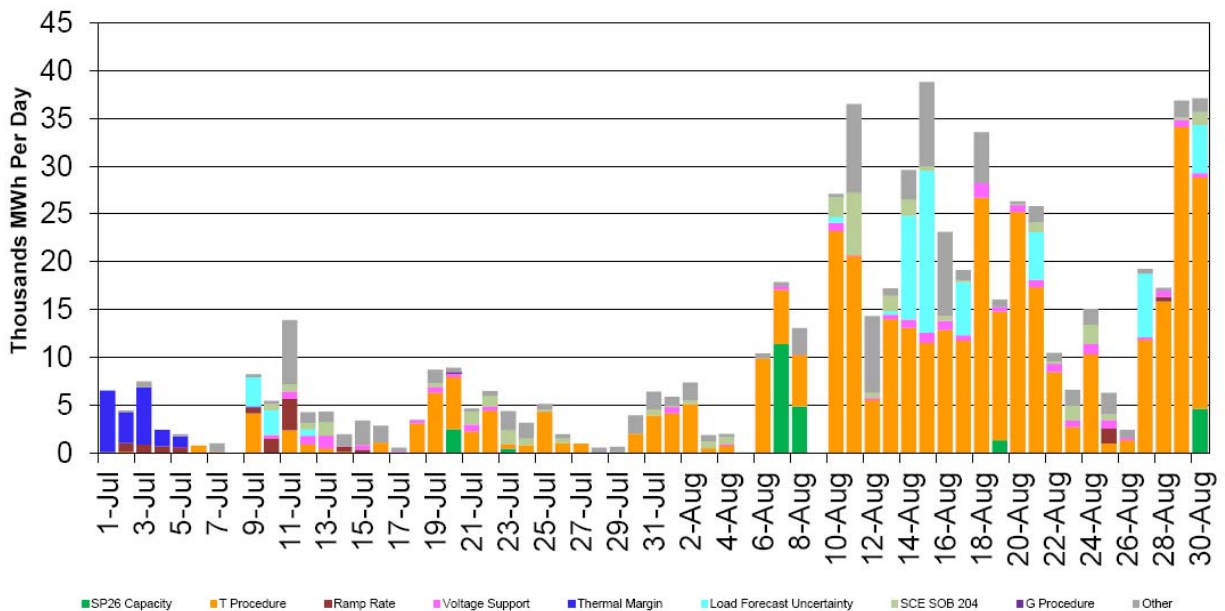
Exceptional dispatch volume was at 2.1% in August vs. 0.5% historically.

Total Exceptional Dispatch as Percent of Load



Furthermore, the dramatic increase in ExD in August 2012 appears to be related to ExD used for transmission procedures.

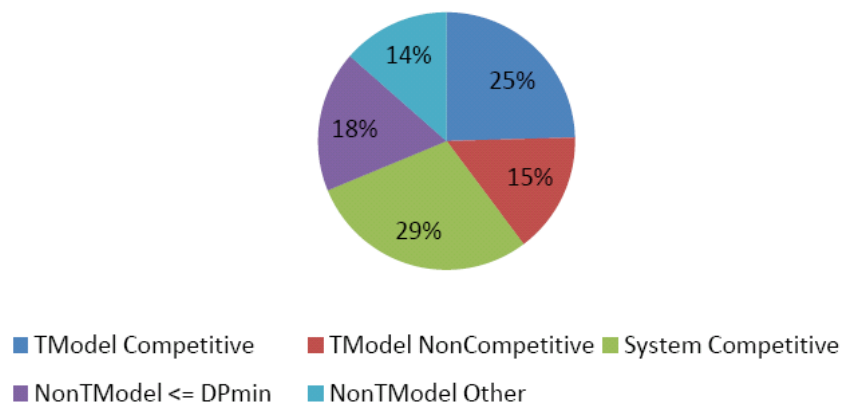
Daily exceptional dispatches in MWh – by reason



At the September 12 MPP meeting, the CAISO could not provide details on which transmission procedures prompted the increase in ExD, so it is not clear how much of the ExD relates to non-modeled constraints, for which the CAISO now proposes to mitigate all ExD. Nevertheless, even without the underlying detail, the substantial increase in ExD is alarming.

The CAISO presented the following graph to indicate that the amount of ExD it was now proposing to mitigate in all instances – ExD associated with non-modeled constraints – was a small portion of overall ExD:

Exceptional Dispatch Category



While the ExD DPF indicated that only 14% of the ExD related to non-modeled transmission constraints, that figure applied to the 12 months ending July 31, 2012.¹ This data did not include the four-fold increase in ExD observed in August 2012. Moreover, given that the CAISO presented the ExD data as a percentage of load, the increase in ExD in the high-load month of August would appear even more dramatic if it was presented in absolute terms. The data presented provide no comfort that the amount of ExD associated with non-modeled constraints even is, or will remain, small.

Summary

NRG had hoped the move to the LMP deconstruction method and dynamic competitive path assessment would reduce the amount of mitigation. Instead, it seems to have prompted the CAISO to increase the amount of mitigation, especially as it applies to ExD.

The CAISO's proposal to increase the conditions under which it applies ExD mitigation is troubling, especially in light of the still-unexplained increase in ExD in August. NRG urges the CAISO to conduct and present analysis that demonstrates that the CAISO's proposed thresholds for deeming non-competitive a path to which the dynamic competitive path assessment will not be applied in real-time are reasonable. Alternatively, NRG urges the CAISO to propose a different method for determining what

¹ ExD DFP at 5.

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real-time ExD warrants mitigation. Finally, NRG urges the CAISO to begin a serious effort to reduce the amount of ExD, starting with incorporating un-modeled constraints into its optimization.

NRG appreciates the opportunity to submit these comments.