

Submitted By	Company	Date Submitted
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NRG submits the following comments on the CAISO’s March 26, 2013 Order 764 Draft Final Proposal.

Changes to Intertie Settlements. NRG supports the CAISO’s proposed changes:

- Implementing a 15-minute market in which both interties and internal resources participate on an equal basis. The current discriminatory and problematic Hour-Ahead Scheduling Process cannot be eliminated quickly enough. Additionally, it appears that WECC is moving ahead with implementing 15-minute interchange scheduling on a time frame that would accommodate the CAISO’s proposed market design changes. NRG expects the addition of a 15-minute settlement for all resources will introduce some challenge, especially with regards to shadowing and validating settlements; nevertheless, NRG supports eliminating HASP and moving forward as the CAISO proposes.
- Providing no Bid Cost Recovery (BCR) for hourly block intertie schedules. Providing BCR for hourly intertie schedules would retain a preferential and discriminatory settlement that will discourage parties from the most expeditious transition to the most efficient end state, namely, 15-minute interchange scheduling. The CAISO’s market design changes will not change California’s fundamental desire and need for imported energy, and concerns about the CAISO’s changes affecting intertie market liquidity are almost certainly overstated. In a changing power system in which flexibility is increasingly valued, providing BCR to block-hour interchange schedules amounts to a financial preference for an inferior product.
- Automating the creation of e-Tags for 15-minute schedule changes. This should help alleviate concerns about 15-minute schedule changes.
- Allowing for one “economic” change to hourly intertie schedules. The value of such one-time changes is not apparent to NRG, but NRG does not oppose this aspect of the CAISO’s proposal.

Intertie convergence bidding. NRG supports the CAISO’s proposal with regards to the interaction between the proposed new 15-minute market and convergence bidding, namely:

- Settling virtual bids for both intertie and internal resources off the 15-minute prices.
- Dealing with the physical only constraint by not tagging physical awards in reverse economic order.

NRG does not oppose the CAISO’s proposal with regards to intertie convergence bidding position limits, and looks forward to those limits automatically increasing on the schedule proposed.

Participating Intermittent Resource Program. In general, NRG remains neutral with regards to the CAISO's proposal to modify the PIRP program to eliminate monthly netting without forcing Power Purchase Agreements that mandate participation in PIRP to be re-opened. However, some concerns remain.

First, NRG shares LSA's concerns about using a simple average of the three five-minute forecasts instead of using each individual five-minute forecast as the basis for determining five-minute instructed deviations from 15-minute schedules.

Second, NRG has requested, and is still hoping the CAISO can provide, some quantification of how the CAISO's proposed treatment of uninstructed imbalances compares to monthly netting as currently provided under PIRP. NRG's support for the CAISO's proposed changes to PIRP depends, in large measure, on whether the uninstructed deviations coming from the last five-minute schedule issued seven and a half minutes prior to that five minute interval are small. Intuitively, such deviations should be manageably small, relative to the current deviations from hourly forecasts - but NRG would appreciate some analysis confirming that expectation.

Finally, the value of the CAISO's proposal with regards to PIRP critically depends on how accurate the CAISO's resource-specific forecasts will be. In particular, NRG is concerned about the accuracy's of the CAISO's forecasts with regards to the Ivanpah facility, primarily because Ivanpah, as a concentrating solar facility, is a different technology than the vast majority of the resources for which the CAISO will be producing forecasts (photo-voltaic resources).

Understanding the CAISO's desire to limit grandfathering of the current PIRP program, NRG requests the CAISO consider grandfathering monthly netting for current PIRP resources until the consistent accuracy of the CAISO's forecasts can be proven, and the reduced exposure to uninstructed deviations can be verified.