

NRG Energy, Inc. Initial Comments on 2013 Stakeholder Initiatives Catalog

Submitted By	Company	Date Submitted
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General Comments

The top five initiatives as ranked in the 2012 Stakeholder Initiatives Catalog were:

1. Mitigating Transient Price Spikes, Real-Time Imbalance Energy Offset / Real-Time Congestion Offset
2. Additional Constraints, Processes, or Products to Address Exceptional Dispatch
3. Multi-year Forward Reliability Capacity Pricing Mechanism
4. Use-limited Resource Adequacy Criteria and Must Offer Obligations
5. Extended Pricing Mechanisms

The October 3, 2013 Stakeholder Initiatives Catalog does not even mention these top-ranked initiatives, nor does it describe how what progress was made on these top-ranked initiatives. Rather than starting each new annual ranking process as a totally separate process that is not informed by the last ranking exercise, the CAISO should include in the first draft catalog a description of what has been done with regards to the prior top-ranked initiatives.

NRG’s own assessment of what action was taken with regards to these top-ranked initiatives is as follows:

1. Mitigating Transient Price Spikes, Real-Time Imbalance Energy Offset / Real-Time Congestion Offset – *Work on the flexible ramping product was suspended pending completion of the Order 764 initiatives.*
2. Additional Constraints, Processes, or Products to Address Exceptional Dispatch - *The CAISO’s Full Network Model Enhancements and Contingency Enhancements work is moving towards further reducing the amount of exceptional dispatch.*
3. Multi-year Forward Reliability Capacity Pricing Mechanism *Not much has happened following the release of the Joint Multi-Year Reliability Framework joint staff proposal on July 10 and initial meeting on July 17.*
4. Use-limited Resource Adequacy Criteria and Must Offer Obligations. *This effort is well underway and targets for a Board decision in February 2014.*
5. Extended Pricing Mechanisms. *Nothing has happened on this initiative in 2013.*

With regards to another initiative that did not even appear in the CAISO’s 2012 catalog – the CAISO-PacifiCorp Energy Imbalance Market (EIM) – there has been substantial activity on this initiative. The CAISO has released eight white papers and held twelve meetings in support of this initiative.

NRG supports competitive markets and extending those markets beyond the CAISO’s current footprint. However, it appears that the EIM, which is a discretionary exercise, occupied a substantial fraction of the CAISO’s ability to engage on market design issues in 2013. The EIM work is complicated, interregional, and groundbreaking. NRG hopes this difficult initial work will provide some precedent and a foundation on which to build that will not have to be recreated as the CAISO’s market reach expands into other areas. Still, the reality that this unexpected

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effort took up a huge amount of CAISO market design expertise and staff bandwidth in 2013 creates the perception that the stakeholder initiatives ranking process has no real bearing on what the CAISO chooses to spend its, and its market participants', time.

Of the course of any year, unexpected events will arise (SCE's decision to permanently retire SONGS), as will other opportunities (EIM). If the stakeholder initiative ranking process is to be of any value, when unanticipated efforts arise, the CAISO should re-engage with its market participants to collectively consider how the new unexpected effort fits into the already-developed list of priorities. While such prioritization decisions clearly affect CAISO staff, they also affect market participants.

To be clear, NRG is not asking the CAISO to stop engaging in the ranking process. Instead, NRG is asking for the CAISO to re-engage with market participants if and when new initiatives emerge, so that market participants can have a meaningful role in re-prioritizing efforts and in making the most effective use of limited CAISO resources. NRG also asks that the CAISO initiate each new ranking process by describing the work done on the last set of ranked priorities.

Review of Initiatives

1. Review the discretionary initiatives for completeness
 - a. Provide questions and clarifications
 - **Initiative 3.7 – Extended Pricing Mechanisms.** NRG asks the CAISO to clarify how “[a] potential long-term [] approach may be day-ahead regional procurement of the flexible ramping product” will move commitment cost uplifts into energy prices. Further, it is not clear how implementing the FRP will address the non-transparency of commitment costs that arise from other reasons besides the need for flexibility.
 - **Initiative 3.11 – Regional Flexible Ramping Product.** NRG appreciates that the CAISO how proposes to consider the consider flexibility as a regional product instead of just a system product. However, NRG requests the CAISO clarify its proposal that ... “[t]he regional flexible ramping product initiative would be a separate initiative and enhancement to the flexible ramping product design.” For example, does this mean that FRP would be initially implemented only on a system wide basis, with regional procurement to come later?
 - **Initiative 5.2 - Blackstart, Voltage Support and System Restoration.** NRG appreciates that the CAISO has reclassified initiative 5.2 () from “Discretionary” to “FERC-mandated” and has committed to initiating a stakeholder process for this effort in 2014.
 - **Initiative 8.5 – Standard Capacity Product for Demand Response** While the CAISO offers that it anticipates beginning a stakeholder process to address FERC's order (issued in 2009) “in the near future”, in light of the push forward to allow preferred resources to meet local area needs and the CPUC's launch of a new demand response proceeding,

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NRG requests that the CAISO commit to beginning this process at a date certain in Q1 2014.

- b. Suggest initiatives to be deleted

NRG does not offer any suggestions regarding initiatives to be deleted.

2. Add discretionary initiatives not listed in catalog Provide:
 - a. Detailed explanation of new initiative;
 - b. Explain how it may affect market participants, reliability and/or efficiency of the market;
 - c. When it needs to be addressed.

NRG offers these potential new initiatives:

- **“Extended” Extended Pricing Mechanisms.** NRG was disappointed that this top-five initiative was not advanced or even discussed in 2013. The significant uplift costs associated with committing and operating units at their minimum load levels to maintain reliability in local areas are not transparent and send no price signals regarding these costs. However, NRG supports Calpine’s proposal to initiate a process to identify and eliminate all un-priced constraints. Such an initiative could include work to implement extended pricing mechanisms, but would be broader than just extended pricing mechanisms.

This initiative would improve market efficiency by reflecting reliability costs in market prices. This is a significant undertaking that would take a year or more to implement.

- **Clarifying CPM designation rules.** Despite the 2011 settlement, ambiguity regarding the CAISO’s interpretation of what capacity is eligible or not eligible to receive a CPM designation remains. NRG would like this ambiguity to be resolved so that all parties clearly understand what conditions do and do not give rise to a CPM designation.

This process would reduce or eliminate the potential for disputes regarding CPM designations. It need not be a lengthy process.

- **RA Replacement Rules.** NRG joins Calpine in requesting that the CAISO initiate a process to reconsider the CAISO’s requirement that a party replace RA capacity within a local area that is sold as system RA capacity with local capacity. This rule confers a benefit to the CAISO for which the seller is not compensated.

This process would eliminate an inequity and provide greater certainty regarding the obligations associated with RA contracting. This need not be a lengthy process.

- **Process for Constraint Enforcement/Un-enforcement.** Again, NRG joins Calpine in calling the CAISO to develop a regular, known process in which market participants

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would have advance notice of, and be able to fully understand the rationale in advance for, the CAISO choosing to enforce a new constraint or not enforce an existing constraint in its markets.

This process would provide greater transparency with regards to, and install greater market participant confidence in, the CAISO's markets. This would likely be a several-month process.