

NRG Energy, Inc. Comments on Track 1B Draft Final Proposal Addendum

Submitted by	Company	Date Submitted
Brian Theaker	NRG Energy, Inc. ("NRG")	June 7, 2018

NRG offers the following comments on the CAISO's May 25, 2018 Congestion Revenue Rights Auction Efficiency Track 1B Draft Final Proposal Addendum ("DFPA").

- **Pursue model improvement.** As NRG has noted before, the CAISO's main priority with regards to improving auction efficiency should be to ensure the CRR models closely align with CAISO's underlying planning models and ensure transmission outages are included in the CRR model on a timely basis. In support of this priority, the CAISO should conduct consistent back-testing of CRR model results using actual transmission outages to identify the impacts of systematic gaps in model assumptions.
- **Asymmetry of CRR Scaling.** While the initial Draft Final Proposal proposed to scale both prevailing flow and counter-flow CRRs on constraints for which there are more CRRs than the transmission capacity available in the Day-Ahead ("DA") market, the DFPA now proposes to scale CRRs only in the prevailing flow direction of the constraint and to not scale counter-flow CRRs on the same constraint. (DFPA at 30-31). NRG opposes the change, which amounts to the CAISO scaling earnings, but not scaling losses, on the affected constraint. While NRG understands that scaling the counter-flow CRRs could exacerbate revenue insufficiency, the proposed asymmetry treats similarly-situated market participants differently and could create perverse or conflicting incentives.
- **Monthly netting treatment.** The CAISO proposes to net surpluses and allocate deficits across the same constraint in different hours, but within the same month (DFPA at pages 31-32). While NRG appreciates the CAISO allowing netting across a period longer than an hour, the netting period should align with the term of the affected CRR.
- **Treatment of allocated CRRs.** Boston Energy Trading and Marketing (BETM) asserts that, in situations in which the *allocated* CRRs on a constraint exceed the transmission capacity available in the DA market, the CAISO should first reduce the amount of allocated CRRs to not exceed the amount of available transmission capacity before scaling the shortfalls between allocated and auctioned CRRs across the constraint. NRG agrees with and supports this proposed approach.
- **Allocation of shortfalls due to improperly reported planned outages.** NRG also agrees with and supports BETM's proposal that CRR shortfalls that result from a transmission owner's failure to submit the planned transmission outage to the CAISO in accordance with the CAISO's notification requirements should be allocated to that transmission owner, as done by the New York ISO. A key principle behind the CAISO's proposed Track 1B changes is to make changes that create the proper incentives or eliminate perverse incentives (e.g., DFPA at pages 24, 25). Allocating shortfalls to transmission owners who fail to provide the required notification for transmission outages would align with this principle.