

Stakeholder Comments Template

Reliability Services Initiative - Phase 2

Draft Final Proposal

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the draft final proposal for the Reliability Services Initiative - Phase 2 that was posted on January 26, 2015. The draft final proposal and other information related to this initiative may be found at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/ReliabilityServices.aspx>.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **February 26, 2016**.

If you are interested in providing written comments, please organize your comments into one or more of the categories listed below.

1. Clarify Local Regulatory Authority (LRA) interaction and process alignment

No comment.

2. Substitution for flexible capacity resources on planned outage

No comment.

3. Separate local and system RA for purpose of forced outage substitution

NRG comments on two aspects of one section of the Draft Final Proposal (DFP) – Section 5.3, Planned and forced outage substitute capacity for RA resources in local capacity areas (page 21-25 in the DFP).

First, NRG strongly supports the CAISO’s proposal to allow for specified MW of capacity, instead of requiring whole resources, to be local RA capacity. NRG appreciates that the CAISO has advanced this aspect of its proposal instead of implementing the “whole resource” paradigm previously considered. NRG also supports the CAISO’s proposal that the replacement obligation attaches first to system capacity, and that sellers will have to replace with local capacity only to the extent the outage or de-rate affects the resource’s local capacity obligation. This proposal appropriately recognizes the increased cost and risk of having to replace with local capacity.

With regards to the second aspect – The January 26, 2016 DFP included this language (page 25, NRG’s emphasis in underlined italics):

All planned outages undergo both reliability and RA assessments. *The ISO undertakes the reliability assessment for all resources requesting planned outages regardless of the resource's RA status.* The reliability test accounts for all previously planned outages for both generation and transmission. If the resource outage passes the reliability test, then the ISO will conditionally approve the outage via a change in status. If the planned outage request is on an RA unit and creates a local area reliability concern substitute capacity will be requested and the outage will be conditionally approved as passing the reliability test only when comparable substitute RA capacity is offered. Once the ISO conditionally approves an outage, the ISO will then look to see whether there is sufficient system RA capacity remaining after the outage or whether additional substitute capacity is needed to fulfill system requirements. If the ISO needs the resource for local reliability, the ISO will deny the planned outage and request the SC of the resource to reschedule the outage. Allowing a resource to take a planned outage even though it has failed the ISO's reliability test, regardless of the type of capacity it has been procured for, risks degrading system reliability.

Because the CAISO undertakes a reliability assessment for all resources requesting planned outage regardless of RA status, the following implications are possible:

- The CAISO could grant a planned outage to an RA unit knowing that a non-RA unit was available to mitigate the impacts of the outage. The non-RA unit would not even be required to offer into the CAISO's markets; the CAISO could exceptionally dispatch that non-RA as needed.
- The CAISO could deny a non-RA unit a requested planned outage because that unit is deemed to be needed to be needed for reliability.

In both situations, the non-RA unit is needed for reliability. The non-RA unit's owner would know that it is needed for reliability in the second situation by virtue of the fact that the CAISO has denied the unit's planned outage request. The unit owner, however, would not necessarily or even likely know that the unit was needed for reliability in the first situation.

The Resource Adequacy program has effectively created two classes of units – those deemed to be needed for reliability by virtue of the fact that such units have been contracted to provide Resource Adequacy, and those units not deemed to be needed for reliability by virtue of the fact that they do not have RA contracts or CPM designations. The time is right to modify the CAISO's outage coordination process to ensure that non-RA units that the CAISO relies on to ensure reliability are recognized and compensated for that service. Capacity from resources that is needed for reliability but which is not under an RA contract should, in every instance, be given a CPM designation for the full period for which that capacity is needed, and no less than the minimum designation terms specified in the CAISO tariff.

Specifically, as part of this initiative, the CAISO should modify its tariff to grant a CPM designation to CPM capacity (1) that the CAISO relies on to allow an RA unit to take a planned outage, or (2) for which the CAISO denies a planned outage request.

4. Process to update EFC list during the year

No comment.

5. Address the RAIM exemption currently in place for combined flexible capacity resources

No comment.

6. Streamlining monthly RA showings

The CAISO proposes to allow LSEs to automatically “roll over” annual RA plans to their monthly RA plans, but not to allow suppliers to do the same thing. The CAISO offers that suppliers could incur “accidental” penalties rolling over their annual supply plans, and that Scheduling Coordinators can still submit their monthly supply plans at the same time the annual supply is submitted.

NRG understands that suppliers would be liable for failing to make necessary changes to its monthly supply plans if the annual plans were simply rolled over to the monthly plan. However, requiring that suppliers make monthly showings to prevent the possibility of failing to catch changes in the supply plan seems a harsh remedy. Further, the CAISO’s apparent concern about suppliers incurring accidental charges for monthly supply plan changes seems inconsistent with the CAISO’s philosophy that any discrepancy in a supply plan to the CAISO’s benefit (e.g., where a supplier shows more capacity on a unit than the corresponding LSE’s RA plan shows) is allowed to stand.

7. Other