

NRG Energy, Inc. Comments on Revised 2015 Stakeholder Initiatives Catalog

Submitted By	Company	Date Submitted
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Comments on CAISO Rankings:

The CAISO has proposed the following rankings:

High Level (Score 27-31) – a total of 13 initiatives:

Generator Contingency Modeling
Extend Look Ahead for Real Time Optimization
Multi-Day Unit Commitment in the Integrated Forward Market (IFM)
Multiple Resource IDs per Generation Meter
Multi-Stage Generator Bid Cost Recovery (BCR)
DLAP-Level Proxy Demand Response
Hourly Bid Cost Recovery Reform
Blackstart and System Restoration
PacifiCorp Related Tariff Changes
Comprehensive Review Methodology for Determining Maximum Import Capability
Reallocation of Maximum Import Capability Between Electrically Adjacent Import Paths to Achieve State Policy Objectives
Allocation of Maximum Import Capability Among Load Serving Entities
Affected Systems

Medium Level (Score 23-26) – a total of 14 initiatives):

Consideration of Non-RA Import Energy in the RUC Process
Active Power Control Interconnection Requirements for Variable Energy Resources
Reactive Power Control Requirements
Combined Demand Response Product
Extended Pricing Mechanisms
Review the CRR Clawback Rule
Full Network Model Expansion - Phase 2
2014 CRR Modifications
Implement Point-to-Point (PTP) Convergence Bids
2015 Interconnection Process Enhancements
Rescheduled Outages
Difference Bidding in Integrated Forward Market for Energy Storage Resources
Multi-Year RA Import Allocation Process
Fractional MW Regulation Awards

Low Level (Score 16-20) – a total of 18 initiatives:

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Review of Convergence Bidding Uplift Allocation
Outage Notification Requirements
Allowing Convergence Bidding at CRR Sub-LAPs
Integrated Optimal Outage Coordination
Simplified Reporting of Forced Outages
Price Formation at Interties
Congestion Revenue Rights Allocation
Convergence Bidding Clawback
Aggregated Pumps and Pumped Storage
Regulation Service Real-Time Energy Make Whole Settlement
Transmission Interconnection Process
Storage Generation Plant Modeling
Economic Methodology to Determine if a Transmission Outage Needs to be Scheduled 30 Days Prior to the Outage Month
Flexible Term Lengths of Long Term CRRs
Insufficient CRR Hedging
Long Term CRR Auction Sub-initiative 1: multiple rounds for a given annual auction
Multi-period Optimization Algorithm for Long Term CRRs
Clarify Energy Products Delivered on Interties

Per the CAISO stakeholder initiatives catalog, there are 24 initiatives that are currently labeled as “in-progress”, “FERC-mandated” or “Non-discretionary”, plus an additional four such labeled initiative that the CAISO has proposed to delete:

	Initiative	Label	Status
1	2.1 BCR for units operating over multiple days	F	Not working
2	3.1 Contingency Modeling Enhancements	I, N	Suspended
3	3.3 EIM Year 1 Enhancements	I, F, D	Working
4	3.6 Flexible Ramping Product	I, N	Working
5	3.9 Stepped Transmission Constraint	F	Not started
6	3.10 Two-tiered RT BCR Allocation	F	Not started
7	3.11 Generator Contingency Modeling	N	Not started
8	3.12 Natural Gas Pipeline Penalty Recovery	I, N	Terminating
9	4.2 Multi-Hour Block RUC Constraints	I, F	Not started
10	5.1 Ancillary Services Substitution	F	Not started
11	5.4 Frequency Response Requirements	F	Not started
12	5.5 Pay For Performance Year 1 Changes	I	Wrapping up
13	5.7 Voltage Support Procurement	F	Not started
14	8.1 Reliability Services	I, N	Working
15	8.2 Capacity Procurement Mechanism	I, N	Working
16	8.3 Joint Reliability Plan	I	Working
17	10.7 Energy Storage Interconnection	I, D	Working
18	11.1 Bidding Rules	I	Just underway
19	11.2 Commitment Cost Enhancements Phase 2	I	Just underway
20	11.3 Pricing Enhancements	I, F	Working
21	11.6 Exceptional Dispatch Decremental Settlement	N	Not started
22	11.7 Expanding Metering and Telemetry Options	I, N	Working
23	11.8 Generator Unit Testing	N	Not started
24	11.13 Load Granularity Refinements	I, N	Working

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13.1	30 minute operating reserve	I, N	Proposed to be deleted
13.10	SCP for Demand Response	F	Proposed to be deleted
13.14	Greenhouse Gas Rules	N	Proposed to be deleted
13.20	Lossy vs. Lossless Shift Factors	I, N	Proposed to be deleted

Given that there are currently 24 “non-discretionary” initiatives that are either already working or not yet started, the CAISO’s ability to take on ANY new discretionary initiatives is not clear.

As a result, it is not possible for market participants to meaningfully comment on the CAISO’s proposed rankings without some understanding of how much CAISO organizational “bandwidth” is available to work on *any* of the so-called *discretionary* initiatives. In fact, the CAISO’s ability to devote time to purported *non-discretionary* initiatives (e.g., those classified as “FERC-mandated” – such as initiative 5.7 Voltage Support Procurement) is unclear.

It is not an efficient use of either the CAISO’s time or market participants’ time to engage in an initiatives ranking process that will ultimately have no bearing on what the CAISO and market participants collectively work on in 2015. The concept of involving market participants in a process to determine the CAISO’s work priorities is a very appealing concept, but, given the realities of the limited available CAISO resources and the number of initiatives already underway or classified as non-discretionary, it appears difficult, if not impossible, to meaningfully implement that concept.

As an example, consider the top five ranked initiatives from the 2013 process, which are:

Initiative	Status
1. Review of Convergence Bidding Uplift Allocation	The CAISO asserts the need for this initiative obviated by Full Network Model upgrades that modeled loop flow and will reduce RTCO
2. Mitigating Transient Price Spikes, Real-Time Imbalance Energy Offset/ Real-Time Congestion Offset	The CAISO asserts the need for this initiative has been obviated by: <ul style="list-style-type: none"> Reducing the transmission constraint relaxation parameter from \$5,000/MWh to \$1,500/MWh – an action which, in turn, caused FERC to direct the CAISO to investigate stepped transmission constraint relaxation parameters (initiative 3.9, classified as FERC-mandated). The Order 764 market, implemented May 1, 2014; and The Full Network Model Expansion, which modeled loop flow in the DA market.
3. Standard Capacity Product Enhancements	This initiative has been deferred to Phase 2 of the Reliability Services Initiative, not yet underway.
4. Modify Resource Adequacy Replacement Rules	This initiative has been deferred to Phase 2 of the Reliability Services Initiative, not yet underway.
5. Extended Pricing Mechanisms	This initiative has not been pursued based on the

	CAISO’s unilateral discretion.
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In sum, work still has not begun on three of the five highest-ranked initiatives from 2013, and the CAISO asserts that the need for the other two highest-ranked initiatives was obviated by other stakeholder processes undertaken by the CAISO outside of the stakeholder initiatives ranking process. The inescapable conclusion is that none of the top five ranked initiatives from 2013 were engaged in 2014.

NRG offers that, if the CAISO intends for market participants to have a meaningful voice in setting the CAISO’s current and future priorities, the current stakeholder initiatives ranking process should be abandoned. Exchanging comments on dozens of initiatives via paper over the course of a few months to develop a plan that does not meaningfully shape the CAISO’s priorities is not an effective or even worthwhile process. If the CAISO intends for its market participants to affect the CAISO’s priorities, the CAISO should instead seek a different process. Perhaps that process could be an annual all-day planning session with the CAISO Board, CAISO senior management, and market participants. The CAISO and market participants could come to that session armed with their “wish lists” of initiatives, but the CAISO could also come prepared to articulate to its Board and to market participants its real ability to engage on additional matters. Simply bringing the CAISO Board an annual list of ostensibly jointly-prioritized issues has not accomplished and almost certainly will not accomplish a meaningful result. Instead, the CAISO Board should have an opportunity to understand – and, as necessary, take action to modify - the CAISO’s real ability to engage on issues important to the CAISO’s market participants.

NRG Comments on CAISO’s Initiatives Ranking

First, NRG reiterates that the CAISO should, as a priority, engage on initiative 5.7, Voltage Support Procurement, as a FERC-mandated initiative.

NRG offers these priorities from the CAISO’s initial ranking:

- Extended Pricing Mechanisms (as noted below, Contingency Modeling Enhancements is not a suitable surrogate for this initiative.)
- Rescheduled Outages
- Hourly Bid Cost Recovery Reform

Additional Comments:

Contingency Modeling Enhancements. The CAISO has suggested that the Contingency Modeling Enhancements (CME) initiative (which has been suspended since early 2014) would facilitate the deletion of two initiatives: 30 minute operating reserve (13.1) and Eliminate Unpriced Constraints (13.17). As currently envisioned by the CAISO, CME only addresses the WECC System Operating Limit (SOL) constraints. Because CME addresses only a fraction of the unpriced constraints that can and do arise within the CAISO’s market optimization, the development and implementation of CME (which is by no means a certain or timely outcome) cannot be considered a surrogate for an initiative to eliminate unpriced constraints.

Applying Standard Capacity Product Provisions to Demand Response. In responding to NRG’s objection to delete initiative 13.10, the CAISO noted: “The ISO will delete this item and notes only supply-side resources can count as supply resource adequacy capacity and other demand response resources are load modifiers.”¹ However, this comment does not address NRG’s concern. While the CAISO observes that only *supply-side* resources can count as *supply-side* RA capacity, load-modifying demand response still effectively counts as RA capacity by reducing demand, and, therefore, reducing RA capacity requirements. NRG reiterates that FERC did not distinguish between supply-side DR and demand-side DR in its directive to apply Standard Capacity Product provisions to DR.

¹ Revised Stakeholder Initiatives Catalog at 10.