

Submitted By	Company	Date Submitted
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NRG submits the following comments on the CAISO's October 14, 2011 Market Design Initiatives:

**General comments:**

The CAISO clearly has a lot on its plate for some time to come. Yet the continued suspension of the ranking process is a disappointment. Having the CAISO unilaterally decide which initiatives will be pursued and which will not does not engender either a spirit of cooperation or of confidence in market participants.

**On specific initiatives:**

- **2.2 - Bid Cost Recovery for Units Running Over Multiple Days.** NRG supports the CAISO's proposal to file for an extension of time for this initiative. Deferring this initiative would be consistent with the actions the CAISO is taking in RIMPR-1 with regards to Bid Cost Recovery.
- **2.5 – Pricing of Minimum Online Constraints.** NRG supports addressing this issue on a more aggressive timeline – in RIMPR-2, as SCE recommends. While the CAISO currently enforces several minimum capacity constraints, there is no price signal that reflects the cost or value of satisfying these constraints. The units committed at their minimum load levels that satisfy those constraints do not set price.
- **2.6 - Load Aggregation Point Granularity.** NRG does not oppose deferring consideration of this FERC-mandated item but does not support deleting it from the catalog. The politics of retail rates are unavoidable, but prices that reflect the cost of serving load in certain areas would serve as the most accurate price signals for taking actions within those load pockets.
- **2.7 – Start-Up, Minimum Load and Transition Cost Enhancements.** NRG strongly supports daily bidding of all fuel-related market quantities; without such bidding, market participants are left with fuel risk.
- **2.9 – Uplift Treatment to Accommodate GHG.** NRG strongly supports this initiative, which will be necessary to ensure that GHG-related costs are appropriately included in default bids.
- **3.1 - Real-Time Imbalance Energy Offset.** Please see NRG's comments on **9.5 - Intertie Pricing.**
- **3.10 – Sub-Hourly Scheduling.** While greater granularity of scheduling and settlement may be an intriguing idea to explore, NRG is suspicious of design initiatives that would confer benefits only on a certain technology of resources.

- **4.1 - Simultaneous RUC and IFM.** Leaving RUC as a separate process and settlement segments the market and creates day-ahead prices that do not reflect the post-DA reliability actions the CAISO must take. NRG supports this initiative, and concurs with SCE that this should be a topic for RIMPR-2.
- **4.3 - RUC Self-Provision.** NRG supports the CAISO's proposal to file for an extension on this issue.
- **5.3 – Voltage Support Procurement and 5.4 - Black Start procurement.** NRG seeks further clarification from the CAISO as to the CAISO's intent to ever move these issues forward. NRG opposes removing them from the catalog.
- **5.6 - Pay for Performance regulation.** Since the catalog as updated on October 14, FERC has directed all ISOs to file tariff sheets to implement this service within 120 days of the order and to implement 180 days after that. NRG looks forward to the CAISO's reaction to FERC's order and the beginning of this stakeholder process.
- **5.10 – Exports of Ancillary Services.** NRG does not support the CAISO's proposal to seek an extension of this issue as proposed. The CAISO could be a source of balancing and other ancillary services to other balancing authorities that are also experiencing a large increase in the amount of variable resources within their footprint.
- **7.3 - Virtual Bidding on the Interties.** Please see NRG's comments on Issue 9.5 - **Intertie Pricing.**
- **8.2 - Standard RA Capacity Product for Demand Response.** The Market Initiatives Catalog indicates that this initiative is to begin in October 2011. However, to NRG's knowledge, it did not. NRG urges the CAISO to begin and complete this initiative to provide for equitable treatment for all resources that count towards meeting RA requirements.
- **8.3 - Seasonal Local Resource Adequacy requirements.** NRG is wary of this topic, which it views as another way to try to avoid paying the full annual cost for generating resources needed to meet reliability requirements during times of peak demand. Such an approach was rejected under the current RA program.
- **8.4 – Replacement Requirement for Scheduled Generation Outages.** While the CPUC suspended the replacement rule for compliance year 2012, CPUC Decision 11-06-022 stated (at 31-32): "We strongly encourage the CAISO to quickly begin working with all stakeholders to develop the necessary procedures and tools to reliably operate without the current replacement rule." NRG urges the CAISO to re-engage on this initiative.

- **9.5 - Intertie Settlement.** The separate, third HASP settlement in a two-settlement market is the primary cause of the Real-Time Imbalance Energy Offset problem. NRG regrets that the CAISO chose to deal with this problem by proposing to eliminate intertie convergence bidding (11.15) instead of addressing the fundamental cause of the problem. NRG urges the CAISO to press ahead with all possible speed to eliminate the HASP and develop an alternative method to price real-time intertie schedule changes. This problem can and should be addressed before 2013. And while a full Hour-Ahead market (10.15) might be a preferable alternative, the complexities of that approach render it unworkable in any reasonable term.
- **10.10 - Bilateral Energy Excluded From Settlements.** NRG views this initiative as further reducing the amount of operational flexibility available to the CAISO – something that would run counter to other efforts to increase the flexibility in light of increasing amounts of variable energy resources. NRG suggests this initiative be given a low priority.
- **10.11 – Multi-Year Forward CAISO New Generation Procurement and 10. 13 - Forward Capacity Procurement.** As NRG noted in prior comments, NRG encourages the CAISO to begin discussions of these issues as soon as possible. Given the projected lead time for new resources, it will be important to address these topics in a timely basis.
- **11.18 – Dynamic Pivotal Supplier Test for Market Power Mitigation and 11.19 – Enhancements to Local Market Power Mitigation.** While NRG strongly supports all the CAISO’s efforts to improve its stringently conservative local market power mitigation system, NRG still opposes the staged implementation of these initiatives, which will make the problem of over-mitigation worse before it makes it better.
- **12.6 - 30 Minute Operating Reserve.** The CAISO has been considering a 30-minute reserve product for over six years. The initial impetus for a 30-minute reserve product was *not* renewable integration needs, but the need for reserves in SP26 to address the loss of the Pacific DC Intertie. NRG supports the CAISO moving ahead with consideration of a flexible ramping product instead of further discussions about a 30-minute reserve product but hopes the discussions around that flexible ramping product will be more transparent and productive than consideration of a 30-minute reserve product ever was.