

## **Comments of NRG Energy, et al. to CAISO Standard Capacity Product Revised STRAW PROPOSAL**

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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NRG Energy, Reliant Energy, and San Diego Gas & Electric Company ("SDG&E") are members of the California Forward Capacity Market Advocates and support in full that group's comments, which cover the majority of the topics about the SCP of concern to our companies. We provide these comments supplementing that document to provide specific recommendations for a method to handle non-standard capacity resources that, either through grandfathering or LRA ruling, do not fully conform to the Standard Capacity Product requirements.

The general paradigm should be that each megawatt of NQC should equate to one MW of SCP tags and, consequently, be subject to the fully terms and conditions of the CAISO tariff, including RA MOO, AS MOO, availability standards and performance incentives. In reality, not all RA resources will conform to this ideal. Existing RA contracts should, as CFCMA has argued, be grandfathered through the initial term of the contract. NCPA and CMUA also suggest in their comments that LRAs may choose to count as RA resources some resources that will not be held to the SCP requirements. This reality can either be ignored, or it can be handled sensibly to preserve the integrity of the SCP tags.

We advocate for the latter position. SCP tags should be issued only to RA resources that are in full conformance with the SCP requirements of the CAISO tariff. In order to allow other, non-conforming resources to count towards the RA compliance of LSEs, CAISO should create non-tradable, non-transferable capacity tags for grandfathered resources and other non-conforming resources deemed to be RA resources by the applicable LRAs. These tags would provide a consistent means of RA tracking while recognizing the non-standard nature of the requirements placed on the underlying resources. As long as these tags are held by the LSE that own or contracted for the resources, there is no market issue created by the fact that they are non-standard. If the LSE wishes to sell or trade the RA from grandfathered resources, however, it would have to standardize the underlying contract to conform to the full SCP requirements. In this way, all RA

requirements are matched up to tags, but only conforming resources are issued fully tradable SCP tags.

Note that this approach could also be used to address the issue raised by NCPA and CMUA, that the SCP is overly proscriptive and infringes on LRA's rights to designate resources as RA.

We also believe that clear limits should be placed on the grandfathering of RA contracts signed between now and the date of full SCP implementation. We recognize that contracting can and should continue during this period in order to meet the ongoing commercial needs of LSEs. At the same time, it is our view that these contracts, struck at a time when SCP is knowably imminent and reasonably well defined, should not be allowed to establish non-standard availability metrics indefinitely. We propose, therefore, that:

- Any RA contract executed on or before December 31, 2008, would be eligible for grandfathering for its initial term, but not for any optional extensions.
- Any RA contract struck after December 31, 2008, but before the issuance of a FERC order accepting, or conditionally accepting, the SCP filing, would be eligible for grandfathering only through December 31, 2013. This period provides for four compliance years (2010 through 2013) in the contract before requiring use of SCP availability metrics.
- Any contract struck after the issuance of a FERC order accepting, or conditionally accepting, the SCP filing would not be eligible for grandfathering and must be SCP compliant to sell tags.

As stated in the CFCMA comments, "grandfathering" would be limited solely to exempting these resources from the SCP performance incentives. These resources would not be subject to charges for below-target availability or for credits for above-target availability. They would, however, be subject to RA MOO, AS MOO, and NQC rules.