



## Stakeholder Comments Template

### Capacity Procurement Mechanism Soft-Offer Cap

This template has been created for submission of stakeholder comments on Capacity Procurement Mechanism (CPM) Soft-Offer Cap that was published on May 30, 2019.

The paper, Stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/CapacityProcurementMechanismSoft-OfferCap.aspx>

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on July 1, 2019.

Submitted by	Organization	Date Submitted
Brian Theaker 530-295-3305	NRG Energy, Inc.	July 2, 2019

**Please provide your organization’s comments on the following issues and questions.**

#### 1. Updating the soft offer cap

Please provide your organization’s feedback on the update soft-offer cap topic as described in section 4.1 of the issue paper. Please explain your rationale and include examples if applicable.

CAISO Tariff Section 43A.4.1.1.2, in part, sets forth: “The CAISO shall open a stakeholder process at least every four years to consider updating the CPM Soft Offer Cap.” To that end, the CAISO’s CPM Soft Offer Cap (“CPM SOC”) initiative is timely, but given that the tariff only directs the CAISO to *consider* updating the CPM SOC, nothing compels the CAISO to update the CPM SOC in this initiative.

Further, as the CAISO notes in its issue paper, it is not clear how the Energy Commission’s most recent analysis of a 700 MW combined cycle unit aligns with Section 43A.4.1.1.2’s requirement that the reference unit be a 550 MW combined cycle unit; as this initiative progresses, the nature and meaning of any differences between the two differently-sized units will need to be more fully explored.

Finally, as the CAISO noted in the issue paper, a threshold question that must be addressed, and is better addressed on the leading edge of this initiative, is whether a combined cycle gas turbine resource of any size is the right “marginal” resource to

consider when developing the soft-offer cap. While a 550 MW CCGT has been hardwired into the CAISO Tariff as the CPM SOC reference resource, the initiative should consider whether such a resource is the appropriate reference unit going forward.

Please indicate any analysis and data review that your organization believes would be helpful to review on this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

## **2. Assessing payment for 12-month CPM designations**

Please provide your organization's feedback on the 12-month CPM designation payment assessment topic as described in 4.2 of the issue paper. Please explain your rationale and include examples if applicable.

The issue paper indicate the CAISO is committed to reviewing the [Competitive Solicitation Process] market power provisions and provisions for 12-month CPM designations and considering changes. Such consideration must consider a host of things, including:

- Both local and system CPM designations and whether different assessments are needed for these two types of designations
- Whether any conclusive proof of the potential to exercise system market power is the result of ownership concentration or scarcity. That distinction has significant implications for the type of comensation that should be paid to resources that are conclusively demonstrated to have the ability to exercise market power.
- The fundamental purpose and efficacy of the "safe harbor" nature of the CPM soft-offer cap.

Please indicate any analysis and data review that your organization believes would be helpful to review on this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

## **3. CPM bids above the soft-offer cap**

Please provide your organization's feedback on the CPM bids above the soft-offer cap topic as described in 4.3 of the issue paper. Please explain your rationale and include examples if applicable.

The problematic market element that prompted the CAISO to take up this issue was the fact that generating unit owners that submitted offers above the CPM SOC – and there have been none to date despite these provisions being in effect for years – could earn a full cost-of-service rate and keep and energy revenues. NRG does not object to resolving this problematic but still hypothetical market design problem, but does not believe that limiting the revenues of a generating unit needed for reliability to something less than the unit's full cost-of-service rate is the right solution.

Please indicate any analysis and data review that your organization believes would be helpful to review on this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

**Additional comments**

Please offer any other feedback your organization would like to provide on the issue paper for the CPM Soft-Offer Cap issue paper.