

Submitted by	Company	Date Submitted
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While NRG will not repeat the general principles and comments it made in its January 12, 2018 comments regarding the CAISO's CC-DEBE proposal in these comments, NRG incorporates its January 12, 2018 comments by reference into these comments.

BIDDING STRUCTURE

- NRG strongly supports the CAISO's adoption of a bidding structure that provides for market-participant submitted reference levels and allows reference level adjustments. This brings the CAISO's bidding systems into alignments with other ISOs.

ADJUSTMENTS TO MARKET PARTICIPANT-SUBMITTED REFERENCE LEVELS

- NRG generally supports the CAISO's proposal for *ex ante* verification of market participant-submitted adjustments. NRG is concerned that limiting *ex ante* consultations to reference limit adjustments above \$1,000/MWh forecloses the possibility for the CAISO and market participants to discuss and resolve any issues that might arise for prices under that level. In NRG's experience in other ISOs, these *ex ante* consultations have proved to be very useful. Given the benefit that *ex ante* consultations may have for both the CAISO and market participant, NRG respectfully urges the CAISO to reconsider that \$1,000/MWh threshold.

COMMITMENT COST BIDDING AND MITIGATION

- NRG supports the CAISO's proposal to eliminate the current 125% cap on commitment costs in favor of a structure that allows market participants to bid their commitment costs up to a circuit breaker cap.
- The CAISO has proposed to set the initial level of the "circuit breaker" cap at 200% of the unit's proxy cost level. In conjunction with this, the CAISO has proposed to leave the "headroom" scalar for commitment costs at 125%. In 18 months, the CAISO would increase the level of the circuit breaker cap to 300% and reduce the level of the headroom scalar to 110%. NRG understands that the CAISO offers this tradeoff between a lower initial level of the circuit breaker cap and a higher headroom scalar as a compromise intended to allow this proposal to move forward. Given recent volatility in the market, NRG would prefer to see the initial level of the circuit breaker cap increased, but may accept the CAISO's compromise position.
- The CAISO proposes to test all binding constraints (e.g., flow at or above the limit) for energy bid market power, and all critical constraints (flow above 85%) for commitment cost market power. Given that the reduced threshold for designating constraints as "critical", NRG has asked for the CAISO to empirically support why 85% is the "right" threshold for assigning "critical" status. NRG respectfully urges the CAISO to empirically support this value when it files these amendments at FERC.

HOURLY MINIMUM LOAD BIDS

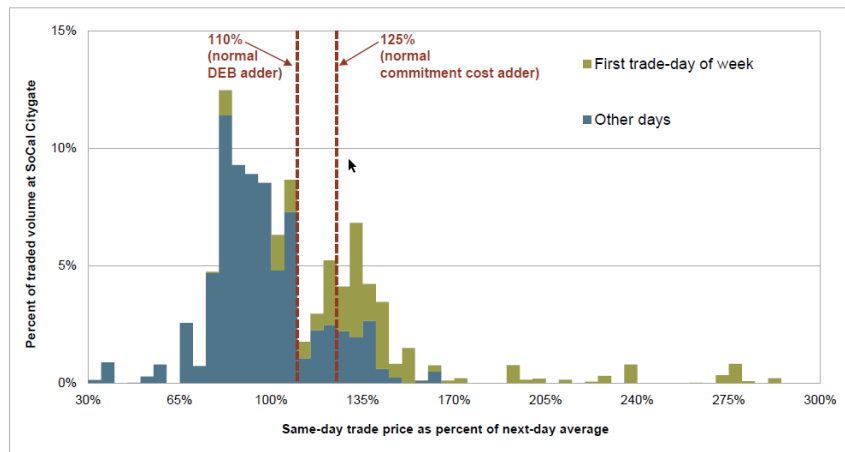
- Under this proposal, the California ISO will allow suppliers to submit hourly bids for minimum load and daily values for start-up costs or transition costs. NRG supports the proposal to implement hourly minimum load bids.

INCLUDING NET BUYER PORTFOLIOS IN THE COMMITMENT COST MARKET POWER MITIGATION

- The CAISO has proposed to include the resources controlled by net buyers when evaluating potentially pivotal suppliers for commitment cost market power. The CAISO’s position is that because of the way uplift costs are allocated, net buyers may have an incentive to inflate commitment costs to increase uplift on some units, the costs of which would then be allocated to different parties in ways that still could benefit a certain net buyer. While this is possible, considering the portfolios of net buyers as potentially pivotal and removing those portfolios under the three pivotal supplier test may greatly impact the supply of counterflow and cause the competitiveness tests to fail – and, consequently, mitigation to be applied - much more often. How this proposal will affect the mitigation frequency of commitment cost bids is unclear, and market participants would benefit from having some idea of this impact. Further, the possibility of net buyers profiting by inflating uplift hinges on the way the CAISO allocates uplift cost. Rather than exposing all market participants to higher frequency of mitigation, the CAISO should consider allocating uplift costs in a way that would not open an opportunity for net buyers to profit through inflating uplift.

IMPLEMENTATION OF THE ALISO CANYON SCALARS

- NRG reiterates its request for the CAISO to provide additional detail on how and when it will (or will not) apply the Aliso Canyon scalars. As discussed at the February 20, 2018 Market Performance and Planning Meeting, while DMM asserted that the scalars were not effective (in part because of the lag involved in their application) and resulted in overpayment to suppliers, DMM’s graphs also showed much higher volatility in Q4 2017, with prices above the scalar adjustments (see below). Further, the volatility in SoCal Citygate prices observed during the week of February 19 is clear evidence of the kind of volatility that can and does occur. As NRG has noted before, a bidding paradigm that protects market participants under some modest frequency and amount of volatility but does not either protect market participants under conditions of high volatility or allow market prices to reflect that volatility is a flawed system.



DEEMING ALL MINIMUM ONLINE COMMITMENT CONSTRAINTS (MOCs) TO BE UNCOMPETITIVE

- The CAISO proposes that all MOCs be deemed uncompetitive. The CAISO offers that, following the implementation of Contingency Modeling Enhancements (CME), that the corrective constraints implemented under CME will address all thermal constraints, leaving MOCs only for reactive power constraints, which the CAISO holds are “likely” very localized and therefore unlikely to offer a competitive pool of supply. The CAISO should substantiate this assertion by providing market participants with a description of the voltage-related constraints that will be addressed by MOCs, including a list of the resources that are effective in providing reactive power within those constraints. While NRG applauds the CAISO for advancing a market-based solution (CME) as a means for reducing the number of MOCs, CME has not yet been implemented nor proved to be effective in limiting MOCs to only voltage-based constraints. NRG remains concerned that a blanket declaration that all MOCs are uncompetitive will lead to unnecessary mitigation.

MITIGATING EXCEPTIONAL DISPATCHES

The CAISO currently mitigates Exceptional Dispatches of energy bids used to manage flows on constraints based on a 60-day assessment of whether (1) that constraint was congested in ten or more hours and (2) if the path was not competitive in at least 75% of the hours where the constraint was binding and tested. The CAISO proposes to extend this treatment to Exceptional Dispatch of Commitment Costs, whereby the CAISO will mitigate those Exceptionally Dispatched commitment cost bids based on a 60-day assessment of whether (1) the affected constraint was congested in ten or more hours and (2) if the path was not competitive in at least 75% of the hours where the constraint was binding and tested.

While it does not seem unreasonable to provide similar treatment for commitment costs as for energy bids, market participants do not have the information to know how reasonable the two conditions (congested in ten hours and tested competitive in at least 75% of those hours) really are. NRG requests that the CAISO provide information that would allow market participants to assess the reasonableness of these two conditions.

MAKING ALISO CANYON MEASURES PERMANENT

- The CAISO proposes to make permanent the measure that allows the CAISO to update the gas price used in the Day-Ahead market based on “an approximation” of the next day gas price taken from the Intercontinental Exchange (ICE) web application between 8:30 and 9:00 AM. NRG supports this, but notes that, when the market is volatile (as it has been this past week), when and how the CAISO takes the ICE price to use in the DA market can make a big difference.
- NRG supports making permanent provisions that allow a market participant to seek *ex post* cost recovery at FERC. NRG also appreciates the clarifications the CAISO offers with regards to the documentation that is needed to support a request for cost recovery. NRG requests that the CAISO clarify what it means by “immediate procurement” (page 43) – is that procurement within the applicable balancing period, or does the CAISO have a different time frame in mind?

CONCLUSION

The CC-DEBE Revised Draft Proposal moves the CAISO toward several new paradigms (allowing market-based bids for commitment costs subject to local market power mitigation; providing for market participant reference levels and a process for revising those reference levels) and contains a huge amount of detail. NRG's comments are intended to cover the issues that NRG finds most important on which to comment. To the extent that NRG did not comment on an aspect of the proposal in these comments, however, NRG still reserves the right to comment on that aspect of the proposal, as needed, when the CAISO files the CC-DEBE proposal at FERC. NRG looks forward to the process to develop the CC-DEBE tariff language, which, consistent with the time and detail invested in this stakeholder initiative, may be a lengthy process. Given the CAISO's intent to launch CC-DEBE in Fall 2018, that vetting of tariff language should begin as soon as possible.