

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the stakeholder initiative "RMR and CPM Enhancements."

Submit comments to initiativecomments@caiso.com

Comments are due February 22, 2019 by 5:00pm

The January 23, 2019 draft final proposal and the presentation discussed during the January 30, 2019 stakeholder conference call can be found on the following webpage:

http://www.caiso.com/informed/Pages/StakeholderProcesses/Review_ReliabilityMust-Run_CapacityProcurementMechanism.aspx.

Please use this template to provide your written comments on the items listed below and any additional comments that you wish to provide.

1. Comments on January 23, 2019 draft final proposal.

RMR and CPM

- a. Provide notice to stakeholders of resource retirements

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: [NRG does not object to the CAISO's proposal regarding providing notice to stakeholders of resource retirements.](#)

- b. Clarify use of RMR versus CPM procurement

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG supports the CAISO's clarification of the use of RMR and CPM procurement.

- c. Explore whether Risk of Retirement CPM and RMR procurement can be merged into one mechanism

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG observes at least one participant in this stakeholder initiative has expressed concerns about CAISO market participants electing to take the more lucrative backstop method, be it RMR for units that are not well depreciated and CPM for units that are well depreciated. Such concerns might be ameliorated by having only a single CAISO backstop mechanism, which NRG would be willing to explore if the CAISO did not insist on moving forward with this process on its current schedule (see NRG's comment at the end). That said, NRG understands the CAISO's rationale for keeping both mechanisms.

RMR

- d. Develop an interim pro forma RMR agreement

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG supports the CAISO's interim *pro forma* agreement. NRG has not yet reviewed the draft *pro forma* posted by the CAISO at the end of last week.

- e. Consider making RMR resources subject to a must offer obligation

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG remains concerned about the draft final proposal's ("DFP's") proposal to impose a 24 x 7 cost-based must-offer obligation on RMR units. NRG is concerned about the following aspects of this proposal:

- The CAISO's ability to incorporate the RMR unit owner's expected gas procurement costs into the cost-based bid. The inaccuracy of the current gas

price indices used in the CAISO markets, especially under Operational Flow Order conditions, is well known. The CAISO has not yet implemented the proposed CC-DEBE changes that would allow the RMR unit owner to submit a reference level adjustment that would reflect its gas procurement cost. Further, the proposed CC-DEBE reference level adjustments are unlikely to eliminate the gas procurement cost risk for the RMR unit owner, depending on the threshold levels selected. If the RMR unit is forced to operate pursuant to a cost-based bid that does not reflect the unit's real gas procurement cost, the RMR owner will have no alternative but to prepare and submit a complex and expensive filing at the Federal Energy Regulatory Commission to seek to recover their unrecovered costs. This is not right given that the unit remains in operation only because it is needed for reliability.

- Whether the cost-based bid will cause the RMR unit to run in a manner completely inconsistent with its recent history. This is especially concerning, given the CAISO's proposal to scrap Schedule G, to subject the RMR unit to the 96.5% availability target of the Resource Adequacy Availability Incentive Mechanism ("RAAIM") and the higher of RAAIM penalties or the RMR contract, and to eliminate the unit-specific availability provisions in the current RMR contract. NRG's concern is heightened by the fact that the CAISO also intends to fundamentally restructure the RAAIM mechanism and the nature of the new mechanism is not yet known.

- f. Consider making RMR resources subject to the Resource Adequacy Availability Incentive Mechanism

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG does not support the CAISO's proposal to eliminate the unit-specific availability incentive provisions in the RMR contract and to subject RMR units to RAAIM for these reasons.

- While the CAISO intends to restructure RAAIM, the future design of RAAIM is not yet known.
- RAAIM imposes a 96.5% availability target without regard to the condition or recent operating history of the unit. This could be highly problematic if the RMR unit is approaching the end of its life.
- The CAISO proposes that the RMR unit will be subject to a non-availability penalty price of the greater of the RMR contract price or the RAAIM rate (DFP at 27). While the CAISO asserts that this is similar to the treatment for CPM units, NRG disagrees with this approach. CPM designation is voluntary; when the owner of a CPM unit accepts a CPM designation, they accept this “higher of” paradigm voluntarily. Conversely, an RMR contract may be imposed on a generating unit that the owner simply wishes to retire. It is not reasonable to subject that resource to a non-availability charge that is higher than the unit’s fixed cost recovery rate on a resource that cannot decline that RMR designation.

g. Consider whether RMR Condition 1 and 2 options are needed

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: While NRG understands the CAISO’s rationale for eliminating Condition 1, NRG does not yet know whether this proposal will be reasonable in light of all the other contemplated or pending but not yet realized changes to the CAISO’s RA provisions and the CPUC’s jurisdictional RA program.

h. Update rate of return for RMR compensation

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG supports the CAISO’s proposal to require the RMR owner to develop and justify the rate of return that applies to its unit(s).

i. Align pro forma RMR agreement with RMR tariff authority that provides ability to designate for system and flexible needs

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG does not object to this aspect of the proposal.

- j. Allocate flexible Resource Adequacy credits from RMR designations

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG does not object to this aspect of the proposal.

- k. Streamline and automate RMR settlement process

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG supports this aspect of the proposal.

- l. Lower banking costs associated with RMR invoicing

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG supports this aspect of the proposal.

CPM

- m. Change CPM pricing formula for resources that file at the Federal Energy Commission for a CPM price above the soft-offer cap price because the current methodology provides for full cost of service cost recovery plus retention of all market revenues

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG does not object to the CAISO's proposal to limit CPM compensation above the soft-offer cap to the unit's Going Forward Fixed Costs plus 20%. NRG would strongly object to the proposal to limit compensation to GFFC.

- n. Evaluate if load serving entities have been using CPM for their primary capacity procurement

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG has noted in comments that the increase in CPM designations over the past eighteen months have nothing to do with LSEs leaning on CPM for RA procurement and supports the CAISO’s proposal.

- o. Clarify deadline for ISO to post CPM designation report

Please indicate whether you support the draft final proposal and why. If you oppose the draft final proposal, please state so and indicate the reason(s) for your opposition.

Comments: NRG strongly supports the CAISO’s proposal to clarify the deadline for the CAISO to post the CPM designation report for designations that do not take effect until a future date.

2. Other Comments

Please provide any additional comments not associated with the items listed above.

Comments: In the DFP, the CAISO proposes the following conditions for a unit that wishes to return to service from mothball status:

If the resource wants to subsequently come out of its mothball status, the resource must submit a formal notice to the ISO that states which of the three conditions have changed for the resource, i.e., some other type of ISO procurement of the resource occurred, the resource was sold to a non-affiliated entity, the resource receives some other contracts or the resource has entered into an RA contract.

DFP at pages 15-16. NRG does not support the CAISO imposing these restrictions on a mothball unit returning to service. If a generating unit wishes to enter mothball status, and the CAISO does not require the unit to maintain reliability, there is no reason for the CAISO, apart from time limit restrictions the CAISO may impose related to the unit’s transmission interconnection, to restrict either the unit’s ability to mothball or the unit’s ability to return to service. The unit owner may wish to return the unit to service for reasons other than the reasons specified in the excerpt from the DFP above and without having entered into a RA contract for the unit. NRG requests that the CAISO eliminate the restrictions on why a mothballed unit may return to service.

Finally, NRG reiterates its opposition to the CAISO moving forward with these changes to the CAISO’s backstop mechanisms in a siloed way while other changes to the completely interrelated RA program are under consideration, but not yet developed, at the CPUC and at the CAISO.