



## Stakeholder Comments Template

### Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements fourth revised straw proposal that was published on March 17, 2020. The proposal, stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/StakeholderProcesses/Resource-Adequacy-Enhancements>

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **April 7, 2020**.

Submitted by	Organization	Date Submitted
<i>(submitter name and phone number)</i>	<i>(organization name)</i>	<i>(date)</i>
Sean P. Beatty 925.951.4433 <a href="mailto:sean.beatty@nrg.com">sean.beatty@nrg.com</a>	NRG Energy, Inc.	April 14, 2020

**Please provide your organization's overall position on the RA Enhancements fourth revised straw proposal:**

- Support
- Support w/ caveats
- Oppose
- Oppose w/ caveats
- No position

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

#### 1. System Resource Adequacy

Please provide your organization's feedback on the System Resource Adequacy topic as described in section 4.1. Please explain your rationale and include examples if applicable.

- a. Please provide your organization's feedback on the System RA Showings and Sufficiency Testing topic as described in section 4.1.1. Please explain your rationale and include examples if applicable.

*NRG Response: NRG is concerned that, in the Individual Deficiency Assessments section of the 4<sup>th</sup> Straw Proposal, the CAISO states on page 8 that, ". . . LSEs cannot simply procure only the unforced capacity portion of a resource, and any amount shown for RA will be assessed considering the resource's forced outage rate . . . ."*

*Despite the suggestion later in that same paragraph that other ISO best practices do not adopt this approach, NRG's understanding is that PJM does something similar, if not the same. NRG is extremely concerned that contracting for RA will become complicated and risky if the approach outlined in the Individual Deficiency Assessment section is followed.*

*On page 9, the CAISO describes the Individual RA Showing Incentive. NRG finds it difficult to fully comprehend the significance of this proposal, which sounds very similar to the RAIM penalty structure, without understanding the timing for when a resource's UCAP will be set, i.e., at T+45?, at real time?*

- b. Please provide your organization's feedback on the Planned Outage Process Enhancements topic as described in section 4.1.2. Please explain your rationale and include examples if applicable.

*NRG Response: NRG could support the implementation of either Option 1 or Option 2, with a preference for Option 2 (the two options are discussed at pages 15-19 of the 4<sup>th</sup> Straw Proposal). NRG believes that an administrative substitution market will bring buyers and sellers together, allowing resource owners to attain much more certainty about the scheduling of planned outages.*

*NRG notes that the cancellation of a planned outage can have multiple layers of impacts on a resource owner. First, planned outages require financial commitments to service providers to ensure that they are available during the dates of the planned outage. Cancelling a planned outage will result in added costs to reschedule it. Second, the resource owner has likely been procuring substitute capacity to cover the outage. If the resource owner procures 80% of the amount to be on planned outage, for example, and the planned outage is then cancelled, then the resource owner has incurred costs for substitution that go for naught.*

*Although NRG prefers Option 2, it is concerned that, as proposed, the Option 2 procurement tool is voluntary. NRG's experience is that holders of significant volumes of capacity are frequently unwilling to contract for short-term substitution. The result is that planned outages are sometimes cancelled when*

*in fact there is adequate capacity in the system to allow the planned outage to move forward without jeopardizing reliability. Reliability of the system is obviously paramount, but NRG contends that outages should not be cancelled if the system has sufficient capacity available.*

*Accordingly, NRG recommends that a form of must-offer obligation should be applied to resources that have sold RA. Recognizing that some RA resource owners are unwilling to market the full quantity of name plate capacity for technical operational reasons, one approach might be to require an RA resource owner to offer the amount of capacity that has been marketed from such resource into the substitution tool. In any event, the precise details surrounding such a must offer obligation would require further development.*

*Drawing on the CSP process as a parallel, NRG has experienced difficulties in contracting its resources with CSP in mind. Specifically, the CSP only allows a single bid per physical resource. However, it is common for multiple entities to hold slices of the RA that a physical resource can provide. With multiple holders of the RA, the resource owner is not in any position to control the bidding of these distinct, multiple entities. If the CAISO elects to implement Option 2, it should avoid a similar limitation for its substitution tool and allow multiple bids off the same physical resource.*

*One brief note on Option 1: The 4<sup>th</sup> straw proposal does not provide adequate detail on Option 1 to understand how the Planned Outage Reserve Margin will be set. If the Planned Outage Reserve Margin is set too low, then the problem to be addressed will not be solved. Accordingly, in the event that Option 1 is adopted, it will be important to spend some time on formulating the process for setting the Planned Outage Reserve Margin.*

- i. Please provide your organization's feedback on when bids should be submitted and how and when they could be changed under Option 2: CAISO procures all planned outage substitution capacity, and what are the implications of doing so under any proposed option.

*NRG Response: NRG believes that Option 2 could be implemented using software comparable to that used for the CAISO's CSP process.*

*In terms of timing, NRG recommends that, under Option 2, the CAISO conduct a series of auctions for substitute capacity that track the RA showing deadlines. Under this approach, the CAISO would hold substitution auctions on an annual basis, a monthly basis and then on a daily basis. The timing of these auctions in this manner is necessary for generation resource holders owners to receive price signals to understand whether the cost to substitute will exceed the cost to reschedule a planned outage. Given that planned outages are scheduled (and planned) months in advance, multiple signals over*

*longer timeframes will provide generator owners valuable information for efficient decision-making.*

- ii. Please provide your organization's feedback on whether or not the Planned Outage Substitution Capacity Bulletin Board is necessary and, if so, why given the effort to develop and maintain.

*NRG Response: With the adoption of either Option 1 or Option 2, NRG does not see the need for the CAISO to maintain a Planned Outage Substitution Capacity Bulletin Board.*

- c. Please provide your organization's feedback on the RA Import Provisions topic as described in section 4.1.3. Please explain your rationale and include examples if applicable.

*NRG Response: Recognizing the treatment of RA Imports is the subject of scrutiny in multiple venues, NRG limits its comments here. Specifically, NRG supports adding a firm transmission requirement to imports that wish to satisfy RA requirements. In this regard, the CAISO must carefully specify what it means to hold firm transmission. In NRG's view, the opportunity to piggy-back committed, but unused, transmission capacity is not the same as firm transmission.*

*NRG also supports such resources having both a day-ahead and real-time must offer obligation. NRG does not support allowing, "slice of system" RA Import Capacity. Each MW of RA Capacity being sold into CAISO's RA market must be explicitly de-listed at the source generator from its host BA with appropriate attestations required.*

## **2. Backstop Capacity Procurement Provisions**

Please provide your organization's feedback on the Backstop Capacity Procurement Provisions topic as described in section 4.2. Please explain your rationale and include examples if applicable.

*NRG Response: No comments at this time on matters addressed in section 4.2.*

- a. Please provide your organization's feedback on the Capacity Procurement Mechanism Modifications topic as described in section 4.2.1. Please explain your rationale and include examples if applicable.

- b. Please provide your organization's feedback on the Making UCAP Designations topic as described in section 4.2.2. Please explain your rationale and include examples if applicable.
  
  - c. Please provide your organization's feedback on the Reliability Must-Run Modifications topic as described in section 4.2.3. Please explain your rationale and include examples if applicable.
    - i. Please provide your organization's feedback on an appropriate availability incentive design to apply to RMR resources after the removal of the RAAIM tool.
  
  - d. Please provide your organization's feedback on the UCAP Deficiency Tool topic as described in section 4.2.4. Please explain your rationale and include examples if applicable.
3. Please provide your organization's feedback on the implementation plan, including the proposed phases, the order these policies must roll out, and the feasibility of the proposed implementation schedule, as described in section 5. Please explain your rationale and include examples if applicable.

*NRG Response: NRG has no comments at this time, but reserves the possibility of raising concerns as the stakeholder process proceeds.*

4. Please provide your organization's feedback on the proposed decisional classification for this initiative as described in section 6. Please explain your rationale and include examples if applicable.

*NRG Response: No comments at this time.*

**Additional comments**

Please offer any other feedback your organization would like to provide on the Resource Adequacy Enhancements fourth revised straw proposal.

*NRG Response: NRG strongly supports the CAISO's efforts to re-work the capacity substitution process, particularly with the desired outcome to make the scheduling of planned outages more reliable.*

*Although not directly the subject of the 4<sup>th</sup> Straw Proposal, NRG continues to remain concerned about the implementation of the UCAP framework in California. NRG requires more detail to better understand how the CAISO intends to use UCAP. NRG is also concerned how the CPUC's focus on NQC will be synched up with the CAISO's new UCAP, which may make it particularly difficult to contract three-years forward for RA.*

*UCAP has been deployed successfully in other regions, and NRG urges the CAISO to take a closer look at those frameworks. If helpful, NRG would be willing to meet with staff to discuss its experiences around the country.*