

NRG Energy, Inc. Comments on Aliso Canyon Draft Final Proposal

Submitted by	Company	Date Submitted
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NRG provides these comments on the CAISO's Draft Final Proposal (DFP).

Given the urgent time frame of this process (the CAISO proposes to circulate draft tariff language as early as today), NRG's comments are focused on those things that the CAISO should address (1) in its final tariff language and (2) with regards to future efforts to address the fundamental problems in the CAISO's markets related to incorporating gas prices into its market optimization.

- The CAISO should adopt an initial value for the real-time gas price adjustment (described in Section 7.2 of the DFP) that:
 - Accounts, at least, for historical differences between day-ahead and real-time gas prices (NRG notes that this variance was closer to 400% during the December 2013 and February 2014 gas curtailment events);
 - Accounts for EFO and OFO charges; and
 - Minimizes the need for market participants to seek after-the-fact cost recovery for commitment cost and default energy bids.

- The CAISO should clarify:
 - How OFO and EFO charges will be treated in both the level of the real-time gas price adjustment and in the after-the-fact cost recovery mechanism at FERC;
 - That all generators affected by an OFO or EFO condition should be eligible to seek relief under the CAISO's proposal, not just those units in the affected gas zone;
 - Which generating units map to which gas zones;
 - Whether and when all of the measures proposed by the CAISO will apply:
 - on a gas zone basis;
 - to all generators served from the SoCalGas/SDG&E service area;
 - to all generating units in SP26;
 - to all generating units regardless of location.
 - How the "downlift" that will be created by having different generator and load nodal prices when the gas availability constraint is enforced will be allocated to market participants;
 - Whether the CAISO will deem Path 26 to be non-competitive (for north-to-south flows) regardless of the amount of available counter-flow in gas zones for which the gas availability constraint is being enforced (e.g., will the CAISO deem Path 26 non-competitive if only a very small amount of Path 26 counter-flow comes from generators in an affected gas zone?); and
 - How the gas availability constraint will affect CRRs that involve Path 26.

- At the same time the CAISO files its proposal at FERC, the CAISO should develop and post a Business Practice Manual For Restricted Aliso Canyon Operations that sets forth detailed descriptions, and, where applicable, sample calculations, of:
 - How, and under what conditions, transmission on Path 26 will be set-aside;
 - How, and under what conditions, set-aside transmission on Path 26 will be released;
 - How the amount of set-aside transmission will be determined (including sample calculations) and communicated;
 - How the CAISO will deal with this set-aside in the CRR process;
 - Under what conditions the CAISO will implement the gas availability constraint;
 - What information the CAISO will communicate to market participants when the gas constraint is enforced and how and when that information will be communicated;
 - How that constraint will affect all nodal prices (including sample calculations);
 - How the CAISO will determine the real-time gas cost adjustment for commitment costs and default energy bids described in Section 7.2, point 2, on page 21 of the DFP (including sample calculations);
 - How the CAISO will communicate that adjustment to market participants;
 - How the CAISO will determine the day-ahead gas price discussed in Section 8 of the DFP (including sample calculations); and
 - How the CAISO will communicate that day-ahead gas price to market participants.

- The CAISO should, by the time it files the Aliso Canyon tariff language at FERC, commit to a stakeholder process to address the fundamental problems in its current market design that are set forth in Section 5 of the DFP. The CAISO should target the implementation of these fundamental reforms for the date when these special Aliso Canyon-related provisions sunset. NRG will push for this at FERC should the CAISO not provide it as requested.