NRG Energy, Inc. Comments on
Intertie Pricing Inconsistency

Submitted By	Company	Date
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NRG Energy, Inc. ("NRG") submits the following comments on the CAISO proposal regarding pricing inconsistency at the interties which, in some circumstances, results in imports being paid less than their bid price and exports being charged more than their offer price.

Intertie Pricing Consistency

As the CAISO describes, the implementation of convergence bidding, coupled with the enforcement of physical and combined physical and virtual constraints at the interties has resulted in situations in which physical schedules are cleared at prices inconsistent with their bid prices when the constraint is binding.

The CAISO offers two solutions:

(1) allowing for different physical and virtual award prices;
(2) curtailing price-inconsistent awards.

The CAISO recommends option (1) and against option (2) because option (2) would require another market run (the so-called "consistency run") to adjust awards to achieve power balance if awards are curtailed.

NRG understands why option 2, which requires another market run to achieve power balance when schedules are curtailed, is not the CAISO's preferred solution, especially if that additional market run would threaten market timelines. However, allowing for different physical and virtual prices when the intertie constraint binds violates the CAISO's principle that physical and virtual bids share prices, and itself is a suboptimal solution.

NRG suggests that additional dialog regarding the second constraint – that the net sum of physical and financial-only virtual schedules must not exceed the intertie transfer capability – would be useful in exploring other solutions than having different physical and virtual prices when intertie constraints bind.