

NRG Energy, Inc. Comments on Regional Integration California Greenhouse Gas Compliance and  
EIM Greenhouse Gas Enhancement Straw Proposal

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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NRG supports the CAISO's proposal to pursue Option 2 – a two-pass optimization that first establishes GHG Allocation Base schedules assuming no transfers to California and then attributes California GHG compliance costs in the second pass to incremental generation outside California that supports transfers to California above those base schedules.

The CAISO's proposal to introduce approximations in the first market solution to reduce computation time is reasonable, given that Option 2, which requires two passes in the optimization, is the vastly preferred solution. While the CAISO qualitatively discusses the implications of these approximations in pages 15-16 of the Straw Proposal, the quantitative implications of these approximations on the precision of the GHG Allocation Base schedules are not clear. If the CAISO could quantify (even roughly) the potential implications of these approximations, that information would help market participants fully understand – and support – the CAISO's proposed approach.

The CAISO offers that the preferred two-pass solution could not be implemented prior to fall 2018, and, as a result, it may be necessary to implement a "bridge solution". Given the limitations of, and disdain for, Option 3, which would assign the same GHG compliance cost to all resources outside of California independent of technology, NRG offers that this stakeholder process should quickly focus on (1) whether a bridge solution will be needed, and (2) development of a better bridge strategy than Option 3 as currently presented.