Submitted by	Company	Date Submitted
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In Phase 3 of the Aliso Canyon Phase stakeholder initiative, the CAISO proposes:

- To make permanent, and extend to the CAISO's entire footprint (including the EIM regions), its authority to implement in its markets a nomogram constraint that would limit the amount of gas that can be burned by electric generation within geographic boundaries of the constraint. To complement this authority, the CAISO would also make permanent its authority to both suspend virtual bidding and deem the constraint area to be non-competitive so that all generator bids within the constrained area would be mitigated.
- To make permanent the CAISO authority to publish RUC schedules from the D-2 optimization run. These schedules, though not commercially binding, are intended to give market participants an indication of what their gas burn might be.
- To extend, until the CAISO files to implement market modifications arising from its Commitment Cost and Default Energy Bid Enhancement (CC-DEBE) stakeholder process, three interim market modifications:
    - Using the early morning same-day ICE index to update the Day-Ahead market gas price index used in the CAISO's market optimization;
    - Using a scalar to adjust the bids from generators within the Aliso Canyon-affected area to help ensure those generators are not dispatched except as needed for local area reasons; and
    - Authorizing market participants to seek "after-the-fact" recovery of costs associated with mitigated energy bids for which cost recovery was not provided in the CAISO's markets. [1]

The current initiative marks the third accelerated stakeholder process the CAISO has conducted with regards to these mitigation measures since March 2016.

- The CAISO's initial mitigation measures were hastily vetted with stakeholders over a two-month process that began in March 2016 in order to rush them into effect before the 2016 summer operating season.

- In September 2016, after taking no other action with regards to the interim Alison Canyon measures or how the CAISO's bidding rules interact with the gas markets – even after the CAISO acknowledged that the CAISO's current bidding rules could result in situations in which suppliers

[1] The CAISO proposed allowing market participants to seek after-the-fact ("ATF") cost recovery for unrecovered costs associated with commitment costs and mitigated energy bids in the Aliso 1 amendment (ER16-1649). When the CAISO sought to make some of those temporary measures permanent in ER16-2445, the CAISO did not seek to make the ability to seek ATF cost recovery associated with mitigated energy bids permanent. However, when the CAISO extended the initial Aliso measures to November 30, 2017 in ER17-110, the CAISO also extended the ability to seek ATF cost for unrecovered costs associated with mitigated energy bids.

could not recover their costs - the CAISO conducted an even more abbreviated stakeholder process aimed simply at renewing the initial mitigation measures.

In contrast, the promised stakeholder process to re-evaluate the CAISO's bidding rules has made little, if any, progress. In November 2016, the CAISO launched the CC-DEBE process by publishing an issue paper, but waited until the end of March 2017 to hold working group meetings and has not yet posted a straw proposal.

Now, six months ahead of the December start to the winter gas operating season, the CAISO proposes to conduct another accelerated stakeholder process to make some aspects of its Aliso Canyon mitigation measures permanent and extend the temporary Aliso Canyon market measures until it files whatever may come out of the CC-DEBE process.

Given how little progress has been made with regards to consideration of changes to bidding rules, NRG opposes the CAISO making any of the temporary Aliso Canyon mitigation measures permanent until the CAISO completes the CC-DEBE process. While yet another hasty extension of the "temporary" mitigation measures seems inevitable, none of these mitigation measures should be made permanent until there has been a full discussion of all of the effects of all of these measures, including their impacts on the CAISO markets and market participants. This discussion should be supported by empirical evidence.

In particular, extending the CAISO's ability to suspend virtual bidding and to deem conditions within the span of any gas constraint to be non-competitive without supporting those conclusions with analysis and evidence should not be made permanent until the CAISO develops, vets with market participants and files for FERC approval explicit rules for determining when these actions must be taken.

In sum, while the continued suspension of regular operations at Aliso Canyon has prompted the CAISO to implement a series of interim measures, NRG opposes making any of those measures permanent or extending their reach to other parts of the CAISO system until the CAISO has completed its comprehensive re-evaluation of its bidding rules, addressed the deficiencies in those rules, and developed detailed and transparent rules for suspending virtual bidding and deeming areas to be non-competitive.