

NRG Energy, Inc. (“NRG”) provides the following comments on Order 809 issues.

Responses to CAISO questions in April 30, 2015 Market Notice:

- How much gas do you procure through the Timely market? How would that change with the new nomination deadline? Does the deadline impact operations?

The amount of gas that NRG procures in the Timely cycle really varies depending on NRG’s confidence of dispatch. Most of NRG’s units are marginal or dispatched outside of merit order, and so most of the gas NRG transacts on the SoCalGas system is procured either in the intra-day markets following the Day-Ahead market run, or, in subsequent day-ahead gas markets, depending on balancing conditions.

- Are the three alternatives appropriate and viable for market participants? Are there more alternatives?

Of the three alternatives offered -

1. Move up the DA market
2. Leave the DA market where it is
3. Move back the DA market

NRG prefers the first alternative – to move up the DA market. If the CAISO were to move the deadline for submitting bids to 7:00 AM PPT, and could reliably publish its DA awards by 10:30 AM PPT, market participants would know their dispatch awards prior to the nomination deadline for the Timely cycle. This would facilitate procuring gas in the more liquid Timely cycle, which could be particularly helpful during the winter months when the pipelines are operating under five-day balancing rules.

However, NRG would urge the CAISO to consider a fourth possibility – shortening the time that it takes to process the DA market. Ideally, the CAISO would accept DA bids and offers after fixed-price gas has started trading in the morning, so that generators know what the price of gas is likely to be. If the CAISO then issued its DA market results before the timely nomination cycle ended, then generators dispatched in-merit could both reflect the price of gas and schedule the necessary quantities.

- What are the benefits and concerns for each alternative? Please be explicit and describe both operational and financial impacts.

See answer above.

- Is ISO differently situated than other organized markets? How so?

NRG perceives the CAISO is differently situated in the following ways. First, the CAISO relies more heavily on out-of-merit dispatch than other ISOs, making it difficult to predict

what units will receive dispatch awards. Not knowing what units will receive dispatch awards makes it more difficult to transact gas in the same-day Timely cycle, which can be challenging, especially at the end of balancing periods or during five-day winter balancing periods. Second, among ISOs, the CAISO seems heavily focused on the idea that the reasonableness of all gas procurement can be determined relative to an index price. Indices are made up of trades executed during specific trading periods and are not reflective of the price when purchasing illiquid intra-day gas, or when that gas is purchased in subsequent daily markets.