

Submitted By	Company	Date Submitted
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NRG offers the following comments on the actions proposed by the CAISO in the February 4, 2016 Frequency Response Draft Final Proposal (DFP). Language from the DFP is shown in *black italic text*, while NRG's comments are in *blue text*.

- *First, the ISO proposes to develop a competitive solicitation process for Transferred Frequency Response (TFR) from external BAs in Western Interconnection. TFR is a compliance instrument to enable the ISO to meet its FRO for the 2017 compliance period. (DFP at 17)*

NRG strongly opposes this discriminatory proposal, which would provide compensation to external BAs helping to meet the CAISO's BA-specific Frequency Response Obligation (FRO) but not for internal generators that do the exact same thing.

- *Second, the ISO proposes to revise the tariff to include requirements for all participating synchronous generators with governors, not just those providing spinning reserves, to set governors to specified droop settings and deadbands consistent with applicable reliability criteria, and to not override governor response through outer-loop controls or other mechanisms. The ISO also proposes additional data submission requirements for generator and plant level controls. (DFP at 17)*

The CAISO further elaborates: *As a result of its findings, the ISO proposes to refine its proposals for tariff requirements discussed in Section 7.2.2 to resolve two needs discovered during this survey: (1) require coordination of system controls necessary to support reliability (e.g., prevent outer-loop controls from over-riding governor frequency response) and (2) require new data submissions necessary to design frequency response models. (DFP at 16)*

NRG offers a few concerns about this aspect of the CAISO's proposal.

First, disabling outer-loop controls may have detrimental impacts on the reliability of the generating unit if those outer loop controls are intended to prevent damage to the unit. In cases where outer-loop controls are used to prevent damage to the unit, the CAISO must allow those outer loop controls to limit the governor frequency response.

Second, a unit that is meeting its instruction or schedule and provides PFR will generate uninstruced imbalance energy (UIE). That UIE price could be below the cost of the unit's production. The CAISO should ensure that PFR energy is adequately compensated.

Finally, the CAISO should, prior to the conclusion of this stakeholder process, detail what information it will require from generators with regards to (1) coordinating plant controls, and (2) frequency response models.

- *Third, the ISO proposes to revise the tariff to clarify the authority of the ISO to designate any reserve not previously identified as Contingency Only by a Scheduling Coordinator (SC) as Contingency Only reserves. (DFP at 17)*

NRG reiterates its observation that holding spinning reserve as “contingency only” may affect the bidding behavior of market participants who heretofore had different expectations with regards to earning energy revenues from these reserves.

- *Fourth, the ISO proposes including frequency response performance requirements under Phase 2 in coordination with introducing a market design that procures frequency response performance. (DFP at 18)*

NRG remains disappointed that the CAISO is deferring the development of a PFR product to Phase 2 given that Order 794 was approved over two years ago.

- *Fifth, the ISO is not proposing tariff revisions to address the allocation of any BAL-003-1 penalties since section 14.7 of the tariff currently includes a process for allocating reliability penalties. (DFP at 18)*

CAISO Tariff Section 14.7.2.4 sets forth:

14.7.2.4 Proposed Allocation and FERC Review Process

Where NERC and/or WECC, or FERC as may be applicable in an enforcement proceeding directly instituted by FERC, determines that the conduct or omission(s) of the Market Participant(s) identified by the CAISO contributed, in whole or in part, to the NERC Reliability Standard(s) violation(s) at issue, the CAISO shall inform the involved Market Participant(s) in writing and shall initially propose an allocation of the penalty cost on a basis proportional to the parties’ relative fault, consistent with the applicable regulator’s analysis. Regardless of whether the involved Market Participant(s) agree or disagree over the allocation, the reasonability of such an allocation shall be determined by FERC through submission of the matter to FERC pursuant to Section 205 of the Federal Power Act.

Given that the CAISO does not propose to implement a performance requirement in Phase 1 of this stakeholder process, and therefore has not specified any objective means of determining whether a generating unit provided an acceptable amount of PFR (and, correspondingly, whether that generating unit may have contributed to the CAISO’s failure to meet its FRO), the CAISO should, as part of this stakeholder process, describe in detail how it would allocate to generators any penalties the CAISO may incur for the CAISO’s failure to meet its FRO. Further, while NRG opposes the CAISO transferring a portion of the CAISO’s FRO to other BAs for compensation, given that the CAISO intends to pursue this alternative the CAISO should also describe in detail how it would allocate to the other BAs any penalties it may receive for failing to meet its FRO.

- *Finally, the ISO will monitor and report its PFR performance to the market on a periodic basis. (DFP at 18)*

NRG Energy, Inc. Comments on February 4, 2016 Frequency Response Draft Final Proposal

NRG strongly supports the CAISO making information on the CAISO's PFR. While NRG does not support the CAISO transferring a portion of its FRO to other BAs for compensation without providing commensation for other resources that are helping the CAISO meet its FRO, should the CAISO be authorized to make such a transfer, the CAISO should also timely report information on the PFR of the other BA.