

Submitted By	Company	Date Submitted
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In its November 24, 2015 Issue Paper, the CAISO requested stakeholder input on the following items (CAISO items are in **bold**; NRG's responses are in *italic font*):

- **The merit of the previous proposals for two-tier allocation of real-time BCR uplift included in the appendix. (Recognizing that changes may be necessary to reflect BCR changes made since the time the ISO developed the issue paper.)**

The prior proposals are:

- *Allocating Tier 1 RT BCR costs to Scheduling Coordinators (SCs) based on their net real-time deviations, assuming that the direction of RT imbalance energy aligned with the SC's net deviations (e.g., if the SC's net deviation reflected a need for incremental energy, and the CAISO's imbalance dispatch was for incremental energy, the SC would be allocated a share of the Tier 1 RT BCR costs.*
- *Allocating Tier 1 RT BCR costs based on an SC's net negative uninstructed deviation. This is similar to the first proposal, except it applies only to incremental energy.*

NRG agrees that real-time uninstructed deviations from CAISO schedules and instructions may, along with other things, contribute to RT dispatch and uplift costs and could be one way, or part of a way, to allocate a portion of the RT BCR uplift, especially if the CAISO can identify the costs associated with such deviations. In order to determine whether proposal 1 or 2 is preferable (should this be the direction taken), the CAISO should provide information on the relative costs of RT BCR uplift associated with incremental and decremental energy.

- **Alternatives to allocation of real-time BCR uplift, including maintaining the current allocation of real-time BCR uplift to measured demand.**

Given the complexity involved in parsing out why RT uplift costs are incurred – allocating those uplifts to measured demand has been a reasonably workable interim solution.

Should the CAISO adopt another approach to allocating RT BCR costs, one based on cost causation, it must be able to identify why uplift charges were incurred so that they can be allocated in a precise way.

For example, NRG notes that MISO allocates real-time up-lift charges differently based on why those charges were incurred:

- *Uplift for units committed for constraint management is allocated to all deviations including virtual supply and demand.*
- *Uplift for units committed to provide ramp and headroom is allocated to metered demand.*
- *Uplift for schedule changes is allocated to uninstructed deviations and net virtual supply.*

While NRG takes no position as to the soundness of those particular allocation methods, NRG notes MISO's parsing out of RT uplift costs into separate "causation" buckets. Should the CAISO go this route,

NRG sees a need for the CAISO to keep accurate records of the reason for the uplift costs so those costs can be allocated in precise a manner as possible.

There are likely to be some real-time BCR uplift costs where causation will be difficult to ascribe. For example, to the extent that RT BCR uplift costs are the result of committing or dispatching units based on conditions that were forecast in the look-ahead predictive dispatch but never actually materialized, such uplift costs are not “caused” by any particular market participant, but are the inevitable (but unfortunate) consequence of predictive dispatch. Such costs should be equitably allocated – an allocation that maybe difficult to derive.

- **Additional considerations, if any, for determining the appropriate method to allocate real-time market BCR.**

As noted above – if the CAISO moves away from allocating these costs to measured demand, the reasons for the uplifts should be accurately captured so that they can be allocated in a manner consistent with cost causation.

Further, especially if the CAISO is going to allocate uplift costs on a granular time frame, the CAISO must adopt a reasonable cap on Tier 1 costs to prevent market participants from incurring huge uplift costs due to small but ill-timed deviations.

- **The scope of additional market data analyses that would be appropriate to assess the benefits of a two-tier allocation of real-time market BCR.**

The CAISO should identify and present to market participants (1) all of the causes of RT BCR and, (2) to the extent it can, the costs associated with each cause.