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**Comments on the Alternative Options
for the Rule to Replace RA capacity on a Significant Planned Outage**

**NRG Energy, Inc
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The ISO has presented alternative options for calculating the availability of intermittent resources whose Net Qualifying Capacity (“NQC”) is based on historical data. In addition, the ISO also has presented alternative options for a rule to replace RA capacity that goes on planned outage, in the event the CPUC removes its current “replacement rule” for its jurisdictional load serving utilities. NRG Energy, Inc. (“NRG”), welcomes the opportunity to submit its comments and recommendations on the second topic – the ISO’s replacement rule proposals.

ISO Proposal:

The ISO’s March 24, 2010 presentation to stakeholders makes two main proposals related to RA resources within a Local Capacity Requirement Area (“LCRA”) ability to replace that capacity:

1. The ISO proposes to require such resources to replace their capacity with “local capacity in the same area;”
2. The ISO proposes that “[i]f local area is deficient, local RA resource on planned outage with system replacement will be allocated ICPM cost if ICPM is required;” and
3. The ISO should develop clear standards for capacity suppliers seeking to replace an RA resource located within a LCRA with system capacity prior to allowing such replacements.

NRG Concerns & Request for Clarification:

NRG raises three concerns with the proposal put forward by the ISO and requests the following clarifications.

First, the ISO’s proposal does not define or describe what it means to require RA resources with “local capacity in the same area.” The ISO’s proposal could be read as restricting the right of a RA resource within a Local Capacity Requirement Area

(“LCRA”) to replace its capacity with capacity from the same LCRA. NRG requests that the CAISO clarify that an RA resource located within a LCRA has the right to replace its RA capacity with capacity from an uncommitted unit within the same LCRA without additional approval from the ISO.

We thus recommend that the ISO clarify that “local capacity in the same area” means:

Any resource shown as Net Qualifying Capacity for a Local Capacity Requirement Area shall be deemed as an acceptable replacement for any other resource shown as NQC for that same Local Capacity Requirement Area.

Adopting this definition will maintain the integrity of the Local Capacity Product supplying the LCRA. Moreover, this definition ensures the burden faced by load responsible for procuring Local Capacity (“LC”) is equal to the burden faced by the supplier responsible for procuring replacement capacity. If the CAISO were to later change the geographical size of the LCRA, the CAISO and CPUC will need to adjust the procurement responsibility equally for the load that procures LC and the supply that procures local replacement capacity.

In short, we request that the CAISO confirm that if the supplier procures replacement capacity from a unit within the same LCRA, no additional ISO conditions or analysis are required.

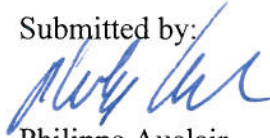
Second, the ISO should clarify that a RA supplier within an LCRA, that replaces that capacity with capacity from another resource within the same LCRA is not required to make any additional payments should the ISO enter into an ICPM arrangement to meet any shortfall within the LCRA.

Such a clarification is warranted because, under the ISO’s existing rules, capacity within each LCRA is fungible. Thus replacing one RA resource within an LCRA with another resource within the same LCRA cannot be the cause of any capacity shortfall within that LCRA. Moreover, penalizing RA resources that procure RA resources within the same LCRA would send an inappropriate signal to resources located within LCRAs.

Third, the ISO should not allow a resource to replace an RA obligation on a resource within an LCRA until the ISO develops clear and transparent standards demonstrating that such replacements meet the capacity needs of the LCRA. To do otherwise invites gaming of the system and would potentially allow either load serving entities or capacity suppliers to replace potentially more expensive capacity within an LCRA with less expensive capacity from outside the constrained area.

Further, the ISO should clarify that a supplier procuring replacement capacity only risks being subject to an ICPM payment if it replaces capacity within the LCRA with capacity from outside the LCRA. Otherwise, the ISO risks sending the signal that replacement capacity located within an LCRA has the same value as replacement system capacity.

Submitted by:



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