

Submitted By	Company	Date
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### **NRG Strongly Supports Eliminating HASP**

As an initial matter, NRG strongly supports the CAISO's efforts to lever Order 764 to move away from the existing Hour-Ahead Scheduling Process (HASP). The current full-hour HASP is discriminatory (open to only a subset of CAISO market participants) and has contributed to large Real-Time Imbalance Energy Offset charges that prompted the CAISO to eliminate intertie convergence bidding instead of dealing with the fundamental underlying issues of (1) liquidating intertie and internal virtual bids at different prices and (2) the persistent and often systematic differences in HASP and real-time prices.

NRG agrees with the CAISO's observation that "[i]n the past two years, the ISO has identified a number of inefficiencies with its current hour-ahead scheduling processes and real-time market settlement. Introducing the financial settlement of the 15-minute market addresses these market inefficiencies." (CAISO Revised Straw Proposal at 4). While Order 764 does not compel the CAISO to eliminate HASP, NRG supports using Order 764 as a springboard to timely address the real, persistent problems caused by HASP by moving beyond HASP to a non-discriminatory hour-ahead and real-time market structure.

### **Interties as Price-Takers for Block-Hour Schedules**

NRG supports the CAISO's proposal to *not* provide bid cost recovery for block-hour intertie schedules. Providing BCR for block-hour intertie schedules will only dampen the incentives for other Balancing Authorities Areas (BAAs) to move towards 15-minute scheduling, a result which would be inconsistent with the spirit of Order 764.

That said, it seems unlikely that the other BAAs will embrace 15-minute intertie scheduling with the same enthusiasm that the CAISO currently demonstrates for this enhancement, or will implement 15-minute scheduling on the same schedule as the CAISO currently envisions. It may be difficult to balance the need to press ahead with 15-minute scheduling and the elimination of the highly problematic HASP with the desire to avoid a disruptive transition. NRG is not especially sympathetic to parties using concerns about intertie liquidity to slow or prevent progress towards leveling the playing field between intertie and internal resources, but is also skeptical that a chaotic and disruptive transition is in the overall market's best interest.

To that end, NRG encourages the CAISO to actively engage representatives from BAAs adjacent to the CAISO in the Order 764 process. Robust participation from market participants who will have to deal with the CAISO 15-minute intertie market on a regular basis will give all stakeholders a better sense – even those parties who, like NRG, typically do not trade on the interties – a better sense of the feasibility of the CAISO's proposal.

### **Participating Intermittent Resource Program (PIRP).**

NRG Energy Comments on February 5, 2013 Order 764 Revised Straw Proposal  
February 26, 2013

NRG is encouraged that the CAISO is now considering grandfathering PIRP resources. NRG does not yet agree that the allowing variable energy resources to provide 15-minute schedules 37.5 minutes in advance mitigates the balancing energy risk enough to allow PIRP to be eliminated.

In both of its prior Order 764 comments, NRG requested that the CAISO provide analysis regarding the extent to which these closer-to-real-time forecasts would reduce the need for PIRP.<sup>1</sup> NRG is in the process of assessing what would be needed to provide its own forecasts in accordance with the CAISO's proposed schedule. Until NRG can determine whether it is feasible to provide these forecasts, and understands how these forecasts are likely to reduce the balancing energy risk, NRG cannot support eliminating PIRP.

Eliminating PIRP may have difficult consequences for those resources currently enrolled in the program. Because some Power Purchase Agreements mandate that resources must be enrolled in the PIRP program, simply eliminating the PIRP program may create hardships. Even if the PPA contained re-opener language in the event the PIRP program was no longer available, it may not be possible to re-create the balance of benefits and burdens agreed to in the initial negotiation in the renegotiations. Consequently, unwinding PIRP participation may be problematic.

Finally, the CAISO has offered to allow variable energy resources to submit their own forecasts instead of using the CAISO forecast, but has indicated that the CAISO will develop a certification process for variable energy resources forecasts, and that the CAISO may cancel a resource's ability to use its own forecast if the resource's forecast is significantly less accurate than the CAISO's forecast. In order for variable energy resource owners to consider whether to use their own forecasts, both the certification process and the conditions under which the CAISO will de-certify the use of the resource owner's own forecasts and the de-certification process must be clear. NRG appreciates that the CAISO may not have had time to clarify these things, but encourages the CAISO to provide details regarding the certification process and the de-certification process.

**Uninstructed Deviation Penalties**

"The ISO believes that if additional measures are needed, such as implementation of uninstructed deviation penalties, they should be reviewed after implementation the new 15-min[ut]e market." (CAISO Revised Straw Proposal at 15). NRG agrees it would be premature to begin discussing uninstructed deviation penalties prior to the implementation of revamped real-time market.

**Position limits for inertia convergence bidding.**

The CAISO has proposed to impose on each scheduling coordinator a total inertia virtual bidding position limit equal to 10 percent of the total transfer capability of the largest inertia within the CAISO's footprint. Additionally, the CAISO has proposed that the position limit would remain in place for at

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<sup>1</sup> See [http://www.aiso.com/Documents/NRG-Comments-FERC\\_Order764MarketChangesStrawProposal.pdf](http://www.aiso.com/Documents/NRG-Comments-FERC_Order764MarketChangesStrawProposal.pdf) and [http://www.aiso.com/Documents/NRG-Comments-FERC\\_Order764MarketChangesStrawProposalTechnicalWorkshop.pdf](http://www.aiso.com/Documents/NRG-Comments-FERC_Order764MarketChangesStrawProposalTechnicalWorkshop.pdf).

least six months and would be reconsidered only after the CAISO and the DMM examine the performance of intertie convergence bidding.

The CAISO seems intent on requiring severe positions limits as a condition for re-establishing intertie convergence bidding, and opposing such limits – even limits determined in an arbitrary way by taking 10 percent of the largest intertie transfer capability - seems futile. However, the conditions under which the CAISO would re-evaluate and relax the initial severe position limits are far too ill-defined. The CAISO and DMM should be required to conduct and publish their position limits analyses by a date certain, and the CAISO should better define *a priori* what the analyses would have to show in order to justify retaining the restrictive initial position limits.

**The CAISO Should Identify How Order 764 Changes Fit Within the Scope of All Market Changes Under Consideration**

While NRG supports efforts to eliminate HASP as quickly as possible, the already-impressive list of major market modifications slated for implementation in 2014 continues to grow. Those modifications include deployment of (1) the Flexible Ramping Product, (2) the Order 764 modifications, (3) the integrated Day-Ahead Market (combining RUC and IFM), and (4), most recently, the integration of Pacificorp into the CAISO's five-minute real-time balancing energy market. Additionally, other significant issues – such as RA procurement reform, incorporating flexibility into RA procurement, re-evaluating CAISO cost allocation, and consideration of highly-ranked market initiatives that hold significant interest for NRG (such as additional constraints to reduce exceptional dispatch and extended pricing mechanisms) are all expected to compete with the efforts already scheduled for implementation in 2014 for market participants' and CAISO staff's time.

It is in everyone's interest for all parties to have a common understanding of how all of these efforts will be considered, developed and implemented within the constraining framework of available CAISO and market participant time and resources. NRG therefore requests that the CAISO lay out a comprehensive plan for how all of these issues will be considered and addressed over the next two years.