

NRG Comments on Impact of Convergence Bidding on Interties – Draft Final Proposal

Submitted by	Company	Date
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NRG is disappointed that the CAISO remains committed to seek to eliminate convergence bidding at the interties as the only solution to what are perceived as intolerably high Real-Time Imbalance Energy Offset ("RTIEO") costs,¹ as well as sporadic and infrequent intertie price inconsistencies.

The CAISO notes that this stakeholder process failed to yield a proposal to address the contribution of convergence bidding to RTIEO that has broad stakeholder support.² However, the CAISO's proposal to eliminate intertie convergence bidding similarly lacks broad stakeholder support – yet the CAISO is proceeding with that proposal. While NRG, among other parties, was skeptical of the CAISO's initial proposal to "claw back" revenues associated with balanced internal/intertie virtual positions, NRG is discouraged and perplexed by the CAISO's unilateral decision to eliminate that proposal from consideration. In so doing, the CAISO has effectively rendered this stakeholder process irrelevant. NRG is especially perplexed by the CAISO removing the claw back proposal from consideration because it seemed to completely address the chief concern by the CAISO associated with RTIEO costs while still allowing convergence bidding at the interties.

Hoping that the CAISO will reconsider this "nuclear option", but expecting that it will not, NRG urges the CAISO to "fast-track" modifications to its market design in Phase 2 of the Renewable Integration and Market Product Review to eliminate discrimination between suppliers internal and external to the CAISO and to restore convergence bidding on the interties. The fact that the CAISO operates a balancing authority that is a net importer of power should not drive the CAISO to reflexively promote the preferential treatment of imported power.

¹ As discussed at the July 19th meeting, convergence bidding contributes only one-quarter to one-third of the total RTIEO cost.

² Draft Final Proposal at 6.