**Comments of NRG Energy**

**Subject: Standard Capacity Product Amendment Filing**

**4th Replacement CAISO Tariff-**

**April 9, 2009**

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| **Submitted by**  | **Company** | **Date Submitted** |
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NRG Energy provides these comments on the CAISO’s Standard Capacity Product (“SCP”) Amendment Filing 4th Replacement CAISO Tariff (“SCP Tariff Amendment”), issued April 9, 2009. NRG appreciates this opportunity to review and provide input on the draft language of the SCP Tariff Amendment. NRG supports the CAISO initiative to standardize the capacity product but requests clarification and /or modification on the following issues:

1. The CAISO should clarify the instances in which it will insert an Ancillary Services bid on behalf of a resource owner;
2. The CAISO should publish the Monthly Availability Standard by July 1 so capacity buyers and sellers can consider the performance standard in transactions;
3. The CAISO should consider the Local Capacity Resources not located at the same bus in its unit substitution pre-qualification process;
4. Section 40.9.6.1 (1) should be clarified to only apply non-performance penalties to the portion of the unit under a RA obligation;

**1. Energy Self-Schedule Curtailment to Meet the Ancillary Services Requirements**

Section 40.5.1(1) (iv) and Section 40.6.1(4) provide that the CAISO will honor energy self schedules unless the ISO is unable to meet its full ancillary service requirement. If the ISO reduces energy self schedules to provide ancillary services the draft tariff provides:

*the Ancillary Service Marginal Price for that Ancillary Service will be calculated in accordance with Section 27.1.2 using the Ancillary Service Bids submitted by the Scheduling Coordinator for the Resource Adequacy Resource or inserted by the CAISO pursuant to this Section 40.6.1, and using the resource’s Default Energy Bid to determine the Resource Adequacy Resource’s opportunity cost of Energy.*

The CAISO should clarify the instances in which it will use the submitted ancillary services bid and when it will insert the bid for the resource owner.

1. **The CAISO Should Publish the Monthly Availability Standard by July 1**

40.9.4.1 states *“The CAISO shall calculate and publish the monthly Availability Standards for the next Resource Adequacy Compliance Year in accordance with the schedule set forth in the Business Practice Manual*.” NRG maintains that it is critical to establish a date for publication to allow sufficient time for transacting parties to analyze the performance risks. Therefore, the tariff should specify that the ISO will publish the availability standard “no later than July 1”.
2. **Section 40.9.4.2.1 Should Provide that Local Capacity Resources be considered for Unit Substitution in the Pre-Qualification Process**

NRG requests modification of the paragraph to aid capacity owners in estimating the likelihood that the ISO will approve a unit substitution. The Draft tariff states:

*If the alternate resource is located at the same bus as the Resource Adequacy Resource it would replace and has similar operational characteristics, the CAISO will approve the pre-qualification request as a substitute resource for use in the subsequent Resource Adequacy Compliance Year.*

However, the CAISO provides that:

*Additionally, when a Local Capacity Area Resource Adequacy Resource subsequently has a Forced Outage or de-rate, the Scheduling Coordinator may request to substitute a non-pre-qualified resource. The CAISO will grant the request if the alternate resource is (i) located at the same bus and meets the CAISO’s operational needs, or (ii) if not located at the same bus, is located in the same Local Capacity Area, and which meets the CAISO’s effectiveness and operational needs, including size of resource, as determined by the CAISO in its reasonable discretion.*

NRG requests that the ISO include the ability to apply for pre-qualification of a capacity resource that is located in the same Local Capacity Area but may not be connected at the same bus. The reason for this request is that, as written, a capacity supplier has uncertainty about the ability to substitute a local resource in a forward timeframe. This uncertainty will lead the generator to assume less flexibility for unit substitution when assessing the risk of outage penalty when pricing the capacity product. Consideration of local area substitution in the pre-qualification process will allow suppliers to know the risks of an outages and the ability to hedge that risk when pricing the capacity product.

1. **The Determination of Resource Adequacy Capacity Subject to Non-Availability Charges Requires Clarification**

 Section 40.9.6.1 (1) States that if a unit is available less than 50% of the month, the non-availability charge will apply to the entire capacity of the resource.

The ISO should clarify how this provision would be applied to a capacity resource with only a partial capacity commitment where there is no obligation to offer the entire unit’s capacity. If a capacity resource is forced out for 50% of the month the non-Availability charges should be applicable only to the portion of the unit that has a RA obligation.

**Other Issues**

While not raised specifically in relation to the SCP Tariff Amendment, NRG continues to have broader concerns with the SCE proposal that we plan to raise in our comments to FERC. Therefore, while we submit these comments to provide constructive feedback on the SCP Tariff Amendment, we retain the right to highlight additional issues at FERC as discussed further below.

While NRG understands the ISO’s reasoning for the Ancillary Services must offer and does not oppose the requirement for RA resources, NRG plans to request that FERC be clear that units bound by the AS must offer retain full bidding flexibility up to the bid cap to reflect operating constraints of generating units. In addition, with the implementation of the AS must offer, there exists no reason for further delay in implementing scarcity pricing. While NRG understands the various constraints in the initial implementation of the SCP, NRG continues to have concerns with exempting hydro, QFs, intermittent, and demand response capacity resources from performance requirements. NRG believes the ISO should establish a date by which all capacity resources will have performance standards comparable to fossil resources. In addition, NRG will request that the FERC set a date by which GADs data will have to be submitted by all qualified capacity resources and capacity resources will be tested by the ISO for ambient temperature de-rates to establish a net qualifying capacity quantity. At that time, GADs data should supplant SLIC for use in assessing performance.

**Conclusion**

NRG appreciates the opportunity to comments on the CAISO SCP Tariff Amendment.