

Submitted By	Company	Date
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NRG submits these comments on the September 27, 2012 Stakeholder Initiatives Catalog ("Catalog").

**Classification of initiatives.** The CAISO has assigned each initiative a category – FERC-mandated, non-discretionary, or discretionary. The CAISO indicates that, among these categories, "[t]he highest priority is a FERC mandated initiative followed by a non-discretionary initiative necessary to address *significant* reliability or market efficiency issues." (Catalog at 2 – emphasis added.)

Stakeholders have no input with regards to whether the CAISO classifies an initiative is classified as "non-discretionary", but stakeholders almost certainly have a position on whether non-discretionary items are *significant* reliability or market efficiency issues. For example, the Price Inconsistency Market Enhancement process (initiative11.3) deals with market efficiency issues, which, while it irrefutably would be beneficial to address, collectively amount to a relatively insignificant amount of money compared to other issues.

The CAISO further notes that "[t]here are 12 initiatives currently in progress. Five of these are major FERC-mandated compliance issues and seven of these are non-discretionary items. There are eight additional FERC-mandated requirements and three non-discretionary initiatives yet to be addressed." (Catalog at 5) Among the eight FERC-mandated requirements that have yet to be addressed, FERC has already granted extensions of time for most of those items at the CAISO's request. Stakeholders supported or did not oppose those deferments. As a result, these items, while FERC-mandated, are generally not considered to be as pressing as other items.

In sum, classifying items as FERC-mandated or non-discretionary is not a black-and-white determination, but a subjective process. CAISO-assigned "FERC-mandated" or "Non-discretionary" classifications should not automatically grant priority to those initiatives. Stakeholders should be given an opportunity to prioritize those items as well as the items classified as "discretionary".

#### Comments on specific initiatives in the Catalog:

- Initiative 2.2 – Bid Cost Recovery for Units Operating Over Multiple Operating Days. The CAISO observes that "Because the BCR calculation does not determine eligibility based on the entire run time of the unit, but rather evaluates each operating day individually, it is likely that eligibility for BCR is inflated." (Catalog at 9) NRG would appreciate the CAISO clarifying why, under the current 24-hour netting paradigm, "it is likely that eligibility for BCR is inflated" for such units.

NRG agrees that issue should be considered in concert with initiative2.5, Multi-Day Unit Commitment in IFM.

- Initiatives 2.6 (Pricing of Minimum On-Line Constraints) and 3.10 (Extended LMP, aka Convex-Hull Pricing) should be considered together because they deal with the issues of units committed and operating at their minimum operating level or minimum dispatchable levels. The price-dampening impact of units operating at their minimum dispatchable levels may be much greater following the implementation of mandatory Multi-Stage Generation registration for units whose ramp rates vary significantly by operating range.
- Initiative 3.9 (Extend Look-Ahead for Real-Time Optimization). NRG's perception of this initiative is that unless the five-hour look-aheads are based on accurate forecasts, such look-aheads could harm, rather than help, real-time market prices. NRG asks the CAISO to provide more information as to the potential benefits of this initiative relative to its potential to have a detrimental impact on real-time prices.
- Initiative 4.1 (Multi-Hour Block Constraints in RUC). NRG asks the CAISO to clarify why this initiative should be addressed in the Flexible Ramping Product initiative (Initiative 3.3).
- Initiative 5.8 (Voltage Support Procurement). NRG requests the CAISO indicate why the CAISO still classifies this initiative as "discretionary" instead of "FERC-mandated".
- Initiative 13.18 (Simultaneous RUC and IFM). Though the Catalog does not say so, NRG understands this issue is being considered as part of Initiative 3.3 (Flexible Ramping Product).

**Additional initiatives not in the Catalog:**

In light of the CAISO's proposal to further mitigate exceptional dispatch, NRG suggests the CAISO add an initiative examining the effects of un-modeled constraints and developing ways to address those constraints within the market optimization.

NRG appreciates the opportunity to submit these comments.