

Stakeholder Comments Template

Submitted by	Company	Date Submitted
Brian Theaker.	NRG Energy, Inc.	October 4, 2017

Please use this template to provide your written comments on the stakeholder initiative “Capacity Procurement Mechanism Risk-of-Retirement Process Enhancements.”

Submit comments to InitiativeComments@CAISO.com

Comments are due October 4, 2017 by 5:00pm

The Draft Final Proposal posted on September 13, 2017 and the presentations discussed during the September 20, 2017 stakeholder conference call can be found on the [CPM ROR Website](#).

Please use this template to provide your written comments on the Draft Final Proposal and any additional comments that you wish to provide.

1. Please indicate whether you support the Draft Final Proposal.

Comments:

While NRG appreciates that the CAISO convened this stakeholder process to try to restructure the CPM Risk of Retirement (RoR) process to provide additional time for generators to determine whether they are needed to maintain reliability in the future, NRG does not support the Draft Final Proposal.

The fatal flaw that renders the CAISO’s proposal of little value is the requirement that generators cannot seek a Type 2 designation in the April – June window unless they can represent that their costs are greater than the 85th percentile of either system or local RA costs, depending on where the resource is located. The CAISO intends this provision to limit the parties seeking a Type 2 designation to those parties that are unlikely to receive an RA contract

because their costs are high, but this unnecessary provision simply means that the April window is unlikely to be used at all.

Parties' fears that the Type 2 designation process will lead to "front-running" the Resource Adequacy process are exaggerated and misplaced. Assume that a generator that sought a Type 2 designation by submitting a request to be evaluated in the April window discovered within 30 days that it was needed for reliability. If that generator tried to leverage that knowledge to exercise market power with a potential LSE buyer, the LSE could simply refuse to contract with that generator. Moreover, if the price the generator was seeking exceeded \$40/kW-year, the LSE could seek a waiver of its RA requirements associated with that particular generator at the CPUC. If the LSE did not contract with the generator, but the CAISO still required the resource to operate in the following RA year for reliability, under the current CPM RoR proposal the CAISO would provide that resource with a cost-of-service RMR contract. So, even if the generator sought to "front-run" the RA contracting process, the final result would be that the CAISO would contract with that resource under a cost-of-service RMR contract – the exact same thing that would result if the generator waited until the November window to submit its request for evaluation, was deemed needed for reliability, and the LSE did not choose to contract with that resource. The only difference is that instead of getting started on the process of implementing an RMR contract that was to take effect on January 1 of the following year in November of the preceding year, the CAISO and parties could get started on the RMR contract process much sooner.

It would be prudent to inform a generator that it is needed in the following year with enough advance notice that the resource' owner could take the actions to ensure the resource would remain reliable for next year. It's not reasonable to expect a generator owner to undertake costly maintenance without knowing whether they will be needed in the following year. Withholding information as to whether a generator is needed for reliability in the following year because of fears that the generator owner will exercise market power ignores the fact that there are provisions in place to prevent the exercise of market power, creates uncertainty that could lead to a resource not taking the maintenance needed to keep the unit in reliable operation in the following year, and perpetuates the asymmetry of information that is the hallmark of the skewed and opaque RA contracting process.

2. Please provide any additional comments.

Comments:

NRG has no other comments.