

Name	Company	Date Submitted
Brian Theaker	NRG Energy, Inc. ("NRG")	December 20, 2013

NRG provides these comments on the ideas presented at the CAISO's December 13 Flexible Resource Adequacy and Must Offer Obligation Working Group meeting, as contained in the presentation available at http://www.caiso.com/Documents/Presentation-FRACMOO-WorkingGroupDec13_2013.pdf.

"Bucket" Approach to Offering Obligations. NRG feels that the CAISO's proposed "bucket" approach to assigning offering obligations to resources providing flexible capacity is an improvement over the CAISO's previous proposal. This approach is not a panacea, as it will leave in place a paradigm in which resources that provide flexibility products that are either energy-limited, time-limited, call-limited, or all of these things, may still be able to count towards flexibility requirements as much as resources that can provide a more available and dependable flexibility product. NRG's concerns reflect the fact that it is currently not clear what mechanisms will serve to appropriately value flexible capacity based on the quality of the flexibility product that is provided. To the extent that such differentiation does not take place, the lack of such differentiation will inevitably lead to the inefficient and ineffective procurement of flexible capacity. NRG supports the new direction the CAISO is proposing, but also observes that much work remains to be done with regards to defining the buckets and their associated offering obligations and procurement limits.

Deferral of Standard Flexible Capacity Product Penalty and Incentive Mechanisms. NRG appreciates that the CAISO considered the alternate approach to deriving the SFCP penalty rate that NRG included in its comments on the Fourth Revised Straw Proposal. NRG is greatly concerned about the prospect of another penalty structure that imposes additional risks on suppliers for providing a product but is disconnected from the commercial realities of providing that product. To that end, NRG supports the CAISO proposal to defer implementing such a penalty structure until 2016 at the earliest.

Allocation of the Flexibility Requirement. NRG supports allocating the flexibility requirement to Load-Serving Entities in a manner that reflects each LSE's contribution to the maximum monthly ramp that defines their flexibility requirement. NRG is largely agnostic about allocating the requirement to the Local Regulatory Authorities instead of directly allocating those requirements directly to LSEs, assuming that the LRAs, in turn, allocate the flexibility requirements to their LSEs in a manner that reflects the LSE's contribution to the conditions that define the flexibility requirements. Allocating the flexibility requirements to LRAs based on operating conditions, but then having the LRAs sub-allocate the flexibility requirements to LSEs on principles not related to operating conditions, will introduce inefficiencies and subsidies in flexibility procurement.

NRG agrees that allocating a flexibility requirement to generators is a substantial departure from the principles underlying the Resource Adequacy Program and should not be considered at this time.