Submitted By	Company	Date Submitted
Brian Theaker	NRG Energy, Inc. ("NRG")	February 12, 2015

Comments on Latest Changes As Indicated in the Draft Final Proposal

NRG's comments on some of the modifications proposed in the January 22, 2015 Draft Final Proposal (DFP) are shown below.

- The ISO will have a three month advisory period for the availability incentive mechanism that will begin with the implementation date. All availability incentive mechanism penalties and payments will be advisory only during this time.

  NRG Comment: NRG supports the proposed three month advisory period. This will allow market participants and the CAISO to gain experience with the new RAAIM before there are binding financial ramifications. For this three-month advisory period to be most valuable, the CAISO should provide (1) Scheduling Coordinators with timely updates as to how their resources are performing under the RAAIM and (2) a clear forum and procedure for raising issues regarding the RAAIM calculations should any arise during the advisory period.

- The ISO proposes a new availability incentive mechanism price, $3.79/kW-month. This price is calculated using 60% of CPM soft offer cap price. This change was made to address stakeholder concerns regarding durability and how the price would be updated in the future. By tying it to the CPM soft offer cap price, the price will still correspond to a high average bilateral price, but also be automatically updated each time the CPM soft offer cap is updated. Some stakeholders pointed out that the ISO must still verify that the updated RAAIM price using the 60% does not significantly deviate from RA prices. The ISO agrees and will monitor this going forward in a transparent review no less than every four years. (Section 6.8)

  NRG Comment: While the proposed $3.79/kW-month price remains substantially above system RA prices (and therefore may still be a disincentive to sell system RA at prices well below this level), the proposed $3.79/kW-year price reflects an improvement over the current SCP non-availability penalty rate.

- In response to concerns from stakeholders on the potential for LSE's with a local capacity requirement greater than a system capacity requirement to have a replacement requirement beyond what is needed for reliability purposes, the ISO proposes to cap the local RA requirement at the system requirement. The ISO has also proposed this change in the CPUC RA process (Rulemaking 14-10-010).

  NRG Comment: NRG is still considering this proposal in both this initiative and in the current RA proceeding. The full ramifications of this proposal – in which a supplier would have to demonstrate that it has met 100% of the local capacity requirement on a year-ahead basis but may only have to show lower local capacity procurement in months in which the system requirements are less than the local capacity requirements - are not yet clear.

- The ISO has clarified the timing of the substitution rules in response to stakeholder questions. The ISO will file all new substitution rules in the initial tariff filing at FERC for planned implementation in 2015 for the 2016 RA year.

  NRG Comment: NRG appreciates the clarification.

- In response to stakeholder requests and an analysis of previous outages, the ISO proposes that if the ISO requests a previously approved outage to move, then the new outage will have no replacement requirement.

  NRG Comment: NRG appreciates that the CAISO has committed that it will not require a Scheduling Coordinator to provide substitute capacity if the CAISO moves an approved planned outage. However, given the uncertainty around the timing of the planned outage approval process, as well as additional concerns that have surfaced regarding how the CAISO considers generator outages and transmission outages together, while NRG appreciates that the CAISO has taken steps to address some of NRG's concerns about the impacts of moving planned outages, some concerns remain.

- In response to multiple stakeholder concerns including SCE and PGE, the ISO has revised the 2017 RA process timeline to follow the timeline outlined by PGE in their comments. This moves the initial RA monthly deadline to T-45 and maintains the current cure period length for planned outage replacement.

  NRG Comment: NRG does not oppose these changes.

- The ISO proposes to create a roll-over account and if there are not enough over-performers in a month to allocate all the monthly under-performer penalties to, the funds would roll-over to the next month to incent supply. PG&E argues suppliers shouldn't get this and it should be allocated on load ratio share back to LSEs. The ISO maintains that incentive payments are most appropriately paid to suppliers performing when needed and not LSEs as suppliers are ultimately responsible for resource outage management.

  NRG Comment: NRG supports the CAISO's proposal to create a roll over account to better provide that generators whose resource exceed the CAISO's proposed threshold and dead band (98.5% availability) will be compensated for their superior performance. Given that the CAISO is proposing a very high availability threshold above which availability performance will be rewarded (98.5% in all months), it is appropriate to reward superior availability performance.

However, NRG notes the following:

- The CAISO has proposed that "If the pool of penalties exceeds the total pool needed for payments up to three times availability incentive price (proposed at $3.79/kW-month), the ISO will create a roll-over account to be used in payments to high-performers *for the following month.*" (DFP at 58, emphasis added). While this roll-over provision would help ensure that high performers in the *next* month are compensated, it may leave high performers in some months uncompensated. A self-funding system that rewards high availability performance should track payment shortfalls and make up the shortfalls as penalty moneys are received in subsequent months, not simply roll over unused moneys to compensate high performers in those subsequent months. Perhaps this is what the CAISO intends; if so, additional detail clarifying this should be added.

- Given the CAISO's willingness to create a roll-over account, is there any reason why moneys remaining at the end of a calendar year are returned to load and not rolled over to the next year? This would seem to discriminate against resources that have high performance in January.

The CAISO noted in the DFP that it was proposing a lower performance bandwidth (4% instead of 5%) to "allow increased transfers of low performer funds to high performers" (DFP at 5). If the CAISO wants to increase the flow of funds to high performers, it should consider NRG's proposals to (1) not simply roll over surplus funds from month to month, but track where high performers did not receive payments in prior months and provide them the incentive payments due when funds come in later, and (2) continue rolling over surplus funds from December to January instead of disbursing any funds remaining in December to load.

- Currently the ISO considers every resource located in a local area to count toward the local RA requirement, even if the load serving entity does not need that resource to count toward their local requirement. Certain market participants, such as Calpine, have pointed out that the resource might not be paid a local premium in this case, but if the resource goes on forced outage the only way to mitigate RAAIM penalties is to provide a resource in the local area- which may demand a premium. One suggestion to resolve this issue is that the ISO could have separate local and system showings and resources shown as system must only provide system resources during a forced outage regardless of the physical location of the shown system resource on outage. The ISO proposes to address this issue and evaluate the proposed solution in phase two due to the complexity of resolving the issue. Certain parties believe this is unreasonable would like this to be considered in phase one. The ISO has deferred this topic because it needs more time to fully understand the implications and consider viable alternative policy solutions.

  NRG Comment: NRG is disappointed that the CAISO has deferred this issue to Phase 2 and urges the CAISO to resume work on this issue as soon as possible.

Resource Adequacy Availability Incentive Mechanism

The DFP notes (at 5) that two parties (NRG and SCE) opposed requiring Scheduling Coordinators to submit economic bids for capacity sold as flexible. NRG remain concerned that self-scheduling flexible capacity would result in the CAISO deeming that capacity to be unavailable. As NRG has indicated in several sets of comments, while NRG submits economic bids for its resources the vast majority of time, there are situations in which NRG self-schedules resources to mitigate risk, guarantee gas burns, or avoid adverse market outcomes. NRG does not object simply to using submitting bids as the metric for measuring availability, but remains concerned about a blanket prohibition on submitting self-schedules for flexible capacity, especially coupled with the CAISO's very high, year-around availability targets.