

Stakeholder Comments Template

Subject: Reliability Services

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the Second Revised Draft Straw Proposal for the Reliability Services initiative that was posted on October 22, 2014. Upon completion of this template please submit it to RSA@caiso.com. Submissions are requested by close of business on **November 19, 2014**.

1. Please provide feedback on Part 1: Minimum eligibility criteria and must-offer rules.

NRG supports, or at least does not oppose, the following new aspects of the CAISO's proposal regarding minimum eligibility criteria and must-offer rules:

- Limiting the Qualifying Capacity ("QC") of an energy storage resource to the resource's maximum discharge capacity.
- Basing the QC of non-generator resources on the resource's on the sustained output over a four-hour period.

2. Please provide feedback on Part 2: Availability Incentive Mechanism.

NRG supports, or at least does not oppose, the following aspects of the CAISO's proposal regarding an Availability Incentive Mechanism:

- Moving the deadline for providing day-ahead substitution from 6 AM to 8 AM (for 2016).
- Allowing real-time substitution for system resources (for 2016).
- Removing the rule requiring substitute resources to have a higher ramp rate than the unit for which they were substituting (for 2016).
- Allowing replacement and substitute capacity to be released in the event an outage moves and the CAISO no longer needs the replacement (for 2017).
- Clarifying the criteria for substitution and relaxing the "same bus" requirement (for 2016). NRG supports the development of clear rules governing the CAISO's authority to approve substitutions that are consistent with the current local capacity area design of the RA program.

- Deferring substitution requirements for flexible capacity until 2016, only restricting substitution by requiring flexible capacity of the same category or higher.
- The CAISO's proposed rules for assessing the availability of overlapping capacity regions. However, as noted below, NRG does not support deeming overlapping flexible and generic RA capacity to be fully unavailable if the resource's Scheduling Coordinator submits a self-schedule instead of a bid for that overlapping capacity.
- Using \$3.50/kW-year as the non-availability penalty price.
- Exempting wind and solar resources that are not shown as flexible capacity from the flexible capacity availability incentive assessment.
- Exempting generic wind and solar resources from the availability incentive mechanism.

However, NRG does not support the following aspects of the CAISO's proposal:

- **The impacts of submitting a self-schedule for capacity that counts both as generic and flexible RA capacity.** While NRG does not oppose trying to simplify the Availability Incentive Mechanism, we do not support penalizing a resource that is providing overlapping flexible capacity and generic RA capacity for submitting a self-schedule instead of an economic bid for that overlapping capacity by deeming that resource to be fully unavailable. A resource can satisfy its generic RA offering obligation by submitting a self-schedule. In the current market, which is very long flexible capacity, the value of the flexible attribute is zero. Deeming the overlapping capacity to be fully unavailable because it submits a self-schedule is a disproportionate penalty.
- **Proposed Availability Targets.** Fixing the availability target at an annual level of 96.5% and reducing the dead band to +/- 2%. NRG provided detailed objections to this proposal in NRG's [last set of comments](#). NRG would be open to simplifying the process by using an annual availability target, but does not support ratcheting up the performance requirements under the guise of simplifying the assessment methodology.

3. Please provide feedback on Part 3: Replacement and Substitution.

Simplifying the process and requirements for providing replacement and substitute capacity is a reasonable and useful goal. The CAISO's premise is that its new proposal to require suppliers to provide replacement capacity in all instances does not substantially increase the risk they already face because RA buyers likely have, in many situations, already transferred that risk to the supplier. This may be true. However, the CAISO's proposal does not fully address a risk that suppliers already face, namely, the risk created by the CAISO moving planned outages.

NRG appreciates the CAISO proposal to allow a planned outage moved by the CAISO to keep its original priority. However, this does not fully mitigate the risk suppliers incur due to moved outage. The CAISO could mitigate this risk by agreeing that it would not impose a replacement obligation on a supplier if CAISO moved its planned outage.

NRG does not support moving forward with the CAISO's proposal to modify the replacement rules unless the CAISO comprehensively and simultaneously deals with the risks created by the CAISO moving planned outages. Given that the CAISO does not propose to implement changes to replacement and substitution rules until the 2017 RA year, there appears to be no rush to move ahead without also dealing with the issue of the CAISO moving planned outages.

Figure 10: Expected implementation date of outage rules by RSI Phase

Expected implementation date		2016 RA year	2017 RA year	2018 RA year
Proposed in RSI Phase 1 (Q1 2015 BOG)	Planned outages	N/A	Redesign of replacement rule for system RA and monthly RA process	N/A
	Forced outages	Enhancements to current rules and new flexible RA forced outage rules	Any policy unable to be implemented by 2016	N/A
Proposed in RSI Phase 2 (Q1 2016 BOG)	Planned outages	N/A	Any additional changes in advance of implementing updated flexible RA requirements and associated outage rules, potentially intertie rules for outage replacement	Rules related to flexible RA planned outages
	Forced outages	N/A		Updated rules related to flexible RA forced outages, if necessary

4. Please provide feedback on the proposed Phase II of the RSI.

While NRG was encouraged by the CAISO's initial willingness to deal with this inequity, NRG does not support deferring to RSI Phase 2 separating the local and system showings (i.e., continuing to require system capacity within a local area to be replaced with local capacity).