

| Submitted by | Company | Date submitted |
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Deferring consideration of a voluntary residual centralized capacity auction. NRG supports the CAISO's decision to defer further work on a voluntary residual capacity auction until the CPUC is near the end of its process to consider multi-year forward Resource Adequacy ("RA") requirements. As NRG has noted before, there is a "chicken and egg" aspect to this part of the CAISO's Reliability Services Initiative ("RSI") and Track 3 of the CPUC's rulemaking in R.14-02-001: knowing the level of and conditions on load participation is important to assessing the viability of a CAISO auction process, but knowing the design of the auction process is necessary to inform the CPUC's position on such a process and, correspondingly, how much load participation it will allow.

NRG also supports focusing the RSI on standardizing the must-offer obligation, developing opportunity cost adders to ration use-limited resources, and designing an availability incentive mechanism ("AIM") to succeed the Standard Capacity Product ("SCP").

Specific topics. Recognizing that the CAISO has not put out a straw proposal on its AIM or on standardizing the must-offer obligations, NRG offers these preliminary comments on matters discussed at the working group meeting:

- NRG agrees that the CAISO's energy markets should serve as the primary incentive to make resources available to the CAISO.
- An AIM should not impose risks that are substantially higher than the returns provided by RA contracting. Said differently, the unavailability penalty rate should not be substantially higher than what can be earned from selling RA capacity in the same period.
- NRG agrees that the AIM should apply to all resource types that count towards meeting RA obligations, including demand-side demand response resources.
- It may be intriguing to explore a fixed availability target rather than setting a target that varies with fleet availability performance, but such an approach will put great emphasis on what the fixed target is and how it is determined.
- The CAISO's proposal for having an upper dead band of 2.5% but a lower dead band of only 1.5% needs further explanation as to why the dead bands are not symmetrical.
- Removing certain outages from the availability calculation will place additional emphasis on the remaining monthly hours, so that a failure to bid in a few hours will have a disproportionate effect.

NRG looks forward to the CAISO's straw proposal on these topics.