

Submitted By	Company	Date Submitted
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NRG offers these comments on three aspects of the CAISO's October 7, 2015 Reliability Services Initiative Phase 2 Revised Straw Proposal.

**Planned Outage Replacement Rules for Flexible Capacity**

NRG does not object to the CAISO's proposal to allow replacement of flexible capacity on a planned outage and can accept the "same or better category" requirement.

**Forced Outage Substitution for Local Capacity**

NRG strongly supports the CAISO's proposal, and agrees that the CAISO's proposal is the best way to address the problem of imposing a requirement to substitute using scarcer and more expensive local capacity on resources that have been procured and compensated for as system capacity within a local area. The CAISO's proposal will help ensure that resources that are used to meet local area requirements are procured as local capacity resources and are better compensated for taking on the local substitution risk. The CAISO's proposal, coupled with the recent reduction in the non-availability penalty rate, should reduce the risks that parties selling system RA capacity face and better align those risks with the prevailing compensation for this service.

There likely are complexities that will need further work – for example, how to treat generating units within a local area that are partially contracted to provide local capacity and partially contracted to provide system capacity. Nevertheless, the CAISO's proposal is the right first step towards imposing a replacement obligation that equitably aligns with the nature of the service acquired and the price paid for that service.

NRG also supports the CAISO's proposal to allow for replacement capacity for planned outages of local capacity resources.

**Master File Changes that Affect Flexible Capacity**

NRG does not object to the CAISO's proposal regarding changes to Master File parameters that affect the amount of effective flexible capacity a resource can provide.