

Stakeholder Comments Template

Subject: Reactive Power and Financial Compensation

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the Draft Straw Proposal for the Reliability Services initiative that was posted on June 5th, 2014. Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **June 11, 2015**.

1. Please provide feedback on the reactive power technical requirements.

NRG incorporates by reference the comments it previously provided, which are available at http://www.caiso.com/Documents/NRGComments_ReactivePowerRequirements_AynchronousResources_IssuePaper_StrawProposal.pdf.

2. Please provide feedback on the financial compensation for reactive power.

NRG appreciates that the CAISO is now actively addressing the issue of reactive power compensation for generating resources as the 10th anniversary of FERC’s order directing the CAISO to address reactive power compensation nears.¹

Of the two options for providing reactive power capability compensation offered by the CAISO (the “AEP methodology”, which involves cost-of-service filings at FERC, or the “safe harbor” approach, which involves establishing a uniform \$/MVar-year capability payment)², NRG respectfully urges the CAISO to move forward with the second option – establishing a uniform “safe harbor” rate for reactive power capability. The New York Independent System Operator

¹ *California Independent System Operator Corporation*, 112 FERC ¶61,350 P 22 (2005) (directing the ISO to submit its proposed structure and timeline for implementing competitive procurement of Voltage Support services within 120 days of the September 30, 2005 Order).

² CAISO May 22, 2015 Reactive Power Requirements and Financial Compensation Issue Paper (“Issue Paper”) at 28-29.

and ISO-New England currently use this uniform rate methodology.³ This uniform rate methodology obviates the burdensome need to develop cost-of-service rates and file those rates with FERC, which reduces the administrative burden, litigation risk and expense for all parties.

NRG's preference for this approach is conditioned on the expectation that generators will be compensated by a just and reasonable rate.

³ The NYISO is proposing to move from a capability rate provided only for lagging reactive power capability to a capability rate for both leading and lagging capability. *See* FERC Docket No. ER15-1042. *ISO New England Inc.*, 137 FERC ¶ 61,237 (2011) (adopting a reactive supply and voltage support service rate and requiring re-examination of the rate no later than July 1, 2016).