

Submitted by	Company	Date Submitted
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NRG offers comment on the following topics:

Availability Incentive Mechanism (AIM) penalty price. The CAISO has proposed an AIM penalty price of \$3.79/kW-month – a value that is 60% of the CPM soft offer cap price, and slightly higher than the \$3.50/kW-month price suggested by the CAISO in the RSI straw proposal.

As NRG prior comments noted, an AIM price that is substantially above going prices for RA capacity, especially system RA capacity, creates a disincentive to sell RA capacity at lower system prices. An entity selling system capacity from a resource within a local capacity area already takes on the risk that the CAISO will require them to replace that capacity – for which they earned a lower system price – with more expensive local capacity.

NRG supports de-linking the AIM price from the CPM price. The AIM price should be intended to encourage suppliers to make their RA resources available to the CAISO while not creating a risk premium that would drive up RA contract prices. The CPM price provides just and reasonable short-term compensation to resource owners for incurring all of the expenses needed to keep their non-RA capacity in service and available to the CAISO. While the CAISO has proposed to set the AIM price at a fraction of the CPM price, the CAISO proposes to still link the AIM and CPM prices. This arbitrary linking of the two prices begs the question as to why it would be more reasonable to set the AIM price at 60% of the CPM price instead of 50% of the CPM price, or 40% of the CPM price. While the proposed \$3.79/kW-month AIM price is a substantial improvement over the current AIM price, NRG remains concerned that the CAISO proposes to link two prices that serve different purposes and need not be linked.

The CAISO also notes that PG&E has proposed that if the outage of a RA resource leads to a CPM designation, the resource whose outage led to the CPM designation should be penalized at the higher CPM rate. NRG opposes this proposal. If the AIM price is adequate to encourage resource owners to keep their resources available, it makes no sense to penalize a forced outage at a higher rate simply because it led to a CPM designation. Further, NRG agrees with the CAISO’s observation that allocating the responsibility for a CPM designation to a particular generator outage could be highly subjective and problematic, especially if other conditions – such as additional generator outages, transmission outages, or other conditions unrelated to outages, such as weather or fuel supply conditions – play a role in the CPM designation.

CAISO Proposal to Relieve Suppliers of a Replacement Obligation Due to the CAISO moving an Approved Outage. NRG greatly appreciates this proposal. NRG viewed the CAISO’s proposal to impose the replacement obligation on suppliers in all outage circumstances as unfairly shifting risk to suppliers for no additional benefit to suppliers. While NRG appreciates this proposal, NRG notes that, as worded by the CAISO, the supplier would be relieved of the obligation to provide replacement capacity where the CAISO moves a “previously approved outage”. This raises the question as to what latitude the CAISO has with regards to approving a requested outage. If outages are approved in a relatively short

time period after they are submitted to the CAISO, the CAISO's proposal could address some of NRG's concerns.