

## Comments of NRG Energy

### Subject: CAISO 2009 Roadmap Process- Catalogue of Market Design Initiatives

Submitted by	Company	Date Submitted
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#### General Comments

NRG Energy appreciates the opportunity to submit these comments on the CAISO's 2009 Catalogue of Market Design Initiatives. Based on the guidance provided by the CAISO staff in stakeholder discussion, these comments are limited to issues that should be included in the market design initiative. In addition, we note that several issues represent a parsed out list of a single initiative and therefore should probably be consolidated. Lastly, NRG makes no comment on the merits of catalogue list of issues or the level of priority attributed to them. We understand that the next step in the roadmap process will afford an opportunity to discuss the merits of the initiatives and the relative priority.

#### *9.2 Standard Capacity Product Enhancements*

Section 9.2 of the initiative catalogue acknowledges that the ISO deferred the applicability of the of the performance and availability standards of some resource adequacy resources to a future date. These resource exemptions include intermittent resources, demand response, and resources that have historical outages factored into the qualifying capacity calculation. FERC's June 26, 2009 Order on Standard Capacity Product granted the CAISO's proposed exemption but ordered the CAISO to work with stakeholders on an appropriate sunset date for the exemption and post progress toward a sunset of performance exemptions<sup>1 2</sup>. These issues should be added to the catalogue specifically with a timelines and priority specified in accordance with the FERC directive.

An additional issue that surfaced in the standard capacity product forum is the exemption of some resources from a requirement to participate in the energy market. NRG highlights that many of the circumstances that supported exemptions from the RA must offer in the early stages of the program's development, such as lack of a day ahead market and very low offer caps, have now been addressed through market developments in MRTU. Therefore, NRG strongly urges the

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<sup>1</sup> FERC June 26, 2009 Order Docket No. ER09-1064 paragraph 58.

<sup>2</sup> In addition to development of the exemption sunset, FERC order other modifications such as development of a scalable threshold for non-performance when a unit is forced out more than 50% of the time and a revised performance standard for non-unit specific system resources.

CAISO to start a stakeholder initiative to consider whether the market is sufficiently robust to warrant the elimination of the exemption from participation in the energy market and if not what market enhancement would be required. This initiative can and should be coupled with the CAISO's other initiative to increase access to ramping products since the exemption of some RA resources from market participation, such as hydro electric resources, likely contributes to the CAISO's lack of access to resources with ramping capability. Furthermore, the design of a ramping capability market should have the explicit objective of sending price signals that both encourage development of new ramping products but also provide an incentive for resources with ramping capability to participate in the CAISO markets.

The CAISO's initiative on SCP exemptions and reconsideration of the RA must offer exemption should be started in the fall in time to influence the CPUC annual RA proceeding, which normally kicks off in late fall for an annual June decision. This would allow for the reforms to take effect for the 2011 RA compliance year.

### *Market Products to Address Operational Needs*

Section 7 of the catalogue lists initiatives under the heading "reliability products". The products listed include ramping capacity, voltage, black start, and a 30 minute ancillary services. All of these products are listed as discretionary. The CAISO was ordered by FERC in its February 20, 2009 Order in the exceptional dispatch docket to report its progress in developing market products to address operational needs, such as a 30 minute product, within 120 days of MRTU<sup>3</sup>. Specifically FERC asked the CAISO to file a report "that details the status of its discussions with stakeholders on the development of a market mechanism for Path 26, the outcome of the voltage support stakeholder process, and its discussions with SWP the California Department of Water Resources State Water Project on the Exceptional Dispatch procedures for participating load.

On June 22, 2009, the CAISO filed with FERC asking for additional time for stakeholder discussions on development of new market products so that it can further analyze the operational needs underlying the extensive amount of exceptional dispatch<sup>4</sup>.

In asking for additional time to consider the required market products the CAISO stated that it is uncertain whether a 30 minute product would actually meet its needs and that other products may be better suited to meeting the needs of the system.

NRG strongly supports development of market products to deliver and send efficient price signals for services that meet the CAISO reliability requirements and operational needs. We also strongly support CAISO's efforts to get a handle on the drivers for out of market procurement and the products that will mitigate this damaging market practice. With that said, given the foregoing, NRG suggests that rather than list specific product initiatives, that the CAISO have a broader category for this market initiative. The broader initiative would start with the CAISO publishing an issue paper describing the reasons for exceptional dispatch and the operational

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<sup>3</sup> FERC ¶ 61,150

<sup>4</sup> CAISO status report in compliance with the Commission's "Order on Section 206 Investigation ER08-1178 and ER08-88.

requirements (e.g. ramping, ancillary services, and voltage). The goal of this initiative would be to describe the need so that the correct market products can then be developed and pursued in a stakeholder process. It seems to make more sense to design the product to meet the need, rather than pursue an initiative without a clear understanding of what the CAISO requires.

NRG would also suggest that the development of market based products is not discretionary since the FERC has asked the ISO to report progress in meeting its operational need efficiently through market mechanisms. Accordingly, the CAISO should assign the highest priority to the development of market products.

### Conclusion

NRG appreciate the opportunity to submit these comments for CAISO consideration. We look forward to continued participation in the forthcoming stakeholder process in July.

Respectfully,

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