



January 20, 2016

**STAKEHOLDER COMMENTS
CAISO BIDDING RULES ENHANCEMENTS DRAFT FINAL PROPOSAL
REGARDING ADJUSTMENTS TO MINIMUM LOAD COSTS**

NV Energy wholly supports the CAISO's Bidding Rules Enhancements Draft Final Proposal (Proposal), dated January 8, 2016, to allow for adjusted minimum load costs for re-rated minimum loads (Pmins).

As the Proposal correctly noted, the CAISO market inefficiently accounts for minimum load costs of a generating unit or multi-stage generator that temporarily increases its Pmin through a re-rate. When environmental or physical circumstances such as ambient temperature force a re-rate of the generator Pmin, the current rules do not permit full recovery of the cost increases associated with the new minimum load. The problem statement on page 5 of the Proposal adequately reflects the inefficiency of the current compensation methodology: it recognizes a decrease in the number of MW available for bid cost payments by virtue of the minimum load increase, but does not recognize the increased costs associated with the greater number of MW in the new, re-rated minimum load.

The Proposal properly accounts for the operational considerations of multi-stage generators and other generators affected by physical conditions, and how those operational considerations affect unit performance and costs. Many of NV Energy's units are susceptible to Pmin re-rates due to ambient temperature fluctuations. NV Energy understands that the CAISO will recalculate minimum load costs when physical operations move the unit to a new minimum load limit. NV Energy finds that the Proposal responds to its concern that necessary changes to unit operations will not interfere with proper valuation of unit costs and recovery.

NV Energy appreciates the CAISO moving swiftly on this issue and is encouraged by the schedule anticipating Board review of the Proposal in early February 2016. NV Energy notes that the Proposal also anticipates a tariff change clarifying the acceptable bases for Pmin re-rates as part of the implementation process, should the Board approve the Proposal. Ambient temperature fluctuations are a particular concern for NV Energy, and this concern is most acute in the summer months; NV Energy is therefore hopeful that the Proposals accounting adjustment – necessary to prevent unit under-recovery – may be implemented before it enters its season of peak temperatures and peak loads. It therefore encourages the CAISO to proceed as promptly as possible with seeking any additional regulatory authorization that it will need in order to implement this Proposal in time for the summer season.