

Submitted by	Company	Date submitted
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Overall support. NRG supports the CAISO’s proposal to implement a “preventive-corrective” constraint within the CAISO’s market optimization that identifies and compensates capacity needed to restore the system to an N-1 secure state for the eight major transfer paths located within the CAISO’s area of operational control. As the CAISO notes, this constraint system will have the following benefits:

- It will reduce the need to secure this capacity through exceptional dispatch. As the CAISO notes, \$47 million of the \$101 million of exceptional dispatch costs in 2012 were incurred to secure the capacity that the CAISO now proposes to secure through this mechanism.
- It will send better price signals, i.e., it will provide locational capacity marginal prices that signal the value of capacity needed to return the system to an N-1 secure state.

Use of Contingency CRRs. NRG also supports the CAISO’s proposal to use “contingency congestion revenue rights” (“CCRRs”) to fund the payments for capacity procured under the “preventive-corrective” constraint. The CAISO notes that it will continue to allocate CRRs through a simultaneous feasibility test that only incorporates a “preventive” (i.e., N-1) set of contingencies, and, as a result, when CRR holders acquire CRRs, they will also have to accept a set of CCRRs associated with the “preventive-corrective” contingencies. Parties seeking to acquire CRRs, notes the CAISO, will have to evaluate the likelihood that the CAISO also will allocate CCRRs that likely will reduce the value of their CRRs. Parties that acquire CRRs prior to the implementation of the preventive-corrective constraint will not have any historical data on which to base their assessment of the impact of CCRRs on their CRRs. It’s not clear how this uncertainty will impact the CRR auction; to the extent the CAISO can provide potential CRR holders with such information as to the impact of the CCRRs on its CRRs, that information may help alleviate the uncertainty and the corresponding impacts on the CRR auctions.

No bids for corrective capacity. The CAISO proposes to not allow parties to bid to provide corrective capacity. As with the CAISO’s proposal for the Flexible Ramping Product, this effectively creates two sets of real-time capacity products: those that can be bid (spinning reserve, non-spinning reserve and regulation) and those that cannot (flexible ramping product and corrective capacity). While not allowing for bidding makes it unnecessary to implement local market power mitigation, given the nature of corrective capacity (associated with seven WECC major transmission paths and the SCIT nomogram) it may be that the pool of resources that can provide corrective capacity is sufficiently deep and diverse that local market power mitigation would not be triggered. This may be especially true given that the CAISO is proposing that off-line resources that can start and load within 30 minutes are eligible to provide corrective capacity. NRG remains disappointed that the CAISO is limiting rather than expanding opportunities for bidding in the CAISO’s markets, but would rather have the CAISO proceed with implementing the preventive-corrective model without an opportunity to bid than to delay that implementation to add additional local market power mitigation.

Other issues: NRG offers these comments with regards to issues discussed during the December 7 meeting:

- **Applying CME beyond the eight major WECC transmission paths.** NRG supports efforts to reduce the amount of exceptional dispatch and supports considering broadening the application of CME beyond the eight major transmission paths to further reduce exceptional dispatch.
- **Virtual bids and corrective capacity.** NRG requests the CAISO to provide additional information on how virtual bids will impact the provision of corrective capacity. Unlike as with physical resources, it is not possible to assign a meaningful ramp rate to virtual bids. This may result in unexpected and adverse market outcomes.

Non-RA resources. Finally, NRG raises a familiar issue – the relationship between corrective capacity and CPM designation for non-RA resources. NRG continues to object to any construct in which a non-RA resource that submits an energy bid to the CAISO’s markets effectively renders itself ineligible for RA-like (i.e., CPM) compensation. This distinction fails to recognize when non-RA resource provide RA-equivalent capacity reliability service to the CAISO. NRG offers that the CAISO further elaborate as to under what circumstances non-RA capacity that the CAISO’s market optimization assigns corrective capacity is eligible for, and should receive, a CPM designation for that capacity.