

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the  
Resource Adequacy Program, Consider  
Program Refinements and Establish Annual  
Local Procurement Obligations

R.11-10-023  
(Filed October 20, 2011)

**REPLY COMMENTS OF NRG ENERGY, INC.**

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For  
**NRG ENERGY, INC.**

April 20, 2012

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Consider  
Annual Revisions to Local Procurement  
Obligations and Refinements to the Resource  
Adequacy Program.

R.11-10-023  
(Filed October 20, 2011)

**REPLY COMMENTS OF NRG ENERGY, INC.**

In accordance with the March 23, 2012 *Administrative Law Judge's Ruling Seeking Comment*, as amended by Administrative Law Judge David Gamson's March 30, 2012 e-mail to the parties in this proceeding granting an extension of time to submit comments until April 11, 2012, NRG Energy, Inc.<sup>1</sup> ("NRG") hereby submits these reply comments on (1) the March 23, 2012 *Energy Division Report Resource Adequacy Workshop January 26-27, 2012* ("Workshop Report"), which included a revised Energy Division ("ED") proposal for modifying the current Maximum Cumulative Capability ("MCC") buckets to account for flexibility requirements ("ED MCC Proposal"),<sup>2</sup> and (2) the California Independent System Operator Corporation's ("CAISO's") March 2, 2012 *2013 Flexible Capacity Procurement Requirement Supplemental Information to Proposal* ("CAISO FCP Supplement").<sup>3</sup>

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<sup>1</sup> NRG Energy, Inc. is the parent of Cabrillo Power I LLC, Cabrillo Power II LLC, El Segundo Power LLC, Long Beach Generation LLC and NRG Solar Blythe LLC, each of which owns and operates generating resources in California. Because the focus of this proceeding is on California market issues, NRG Energy, Inc. appears on behalf of these entities, referred to here as the NRG Companies.

<sup>2</sup> Available at <http://docs.cpuc.ca.gov/efile/RULINGS/162601.pdf>.

<sup>3</sup> Available at <http://docs.cpuc.ca.gov/efile/RESP/162107.pdf>.

## **I. REPLY COMMENTS**

### **A. NRG Supports The Call For A Separate Rulemaking To Consider a Multi-Year Procurement Framework**

Several parties, including all three Investor Owned Utilities<sup>4</sup> and Brookfield Renewable Energy Partners LP,<sup>5</sup> urged the Commission to launch a separate rulemaking dealing with multi-year Resource Adequacy (“RA”) procurement. While not advocating the creation of a separate rulemaking, the Division of Ratepayer Advocates (DRA) also offered that the time was ripe to reconsider multi-year RA proposals.<sup>6</sup>

NRG supports these parties’ call to initiate a separate rulemaking, or at least a separate phase of the current RA rulemaking, dedicated to developing a multi-year RA framework that incorporates flexibility requirements. This important work cannot be accomplished in a hazy no-man’s land caught between the RA and Long-Term Procurement Planning proceedings.

### **B. Some Aspects of RA Program Design Should Not Be Re-Examined**

DRA’s comments support the proposed Energy Division framework of incorporating flexibility into RA procurement by modifying the current Maximum Cumulative Capability “buckets” to account for a resource’s (1) dispatchability and (2) use limitations.<sup>7</sup> Because NRG respectfully disagrees that the Energy Division framework is the better approach to incorporating flexibility requirements into RA procurement (as noted in NRG’s April 11, 2012 comments

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<sup>4</sup> See *Post Workshop Comments of Pacific Gas and Electric Company (U 39 E)* at 1; *Southern California Edison Company’s (U 338-E) Post-Workshop Comments* at 6; *Opening Comments of San Diego Gas & Electric Company (U 902 E) On Phase I Workshop Proposals and Presentations* at 4-5. All of the comments referenced in these reply comments were submitted on April 11, 2012 in the above-captioned proceeding.

<sup>5</sup> *Comments of Brookfield Renewable Energy Partners LP on March 23, 2012 Administrative Law Judge’s Ruling Seeking Comment* at 5-6.

<sup>6</sup> *Comments of the Division of Ratepayer Advocates on Phase I Workshop Issues (“DRA Comments”)* at 6.

<sup>7</sup> DRA Comments at 2.

submitted in this rulemaking<sup>8</sup>), NRG does not support implementing the Energy Division proposal as a “trial run” for 2013 as DRA proposes.<sup>9</sup>

However, NRG is troubled by the implications of DRA’s comment that “[e]ven if adoption of the ED proposal results in some backstop procurement by the CAISO, it may be the most efficient and simple way to achieve a least cost methodology to supply dispatchable resources for a reasonable level of reliability.”<sup>10</sup> This comment implies that it is not necessary for the RA program to procure all of the resources that the CAISO needs to meet its operational needs. This implication runs counter to a core principle on which the RA program is built – that the RA requirements *do* provide the capacity needed to meet the CAISO’s operational needs.<sup>11</sup> To hold the RA program to any lesser standard transforms the CAISO’s procurement of capacity into something other than for “backstop” purposes in situations in which RA procurement has failed. While it is clear that the changing nature of the bulk power supply system in response to state policy warrants re-examination of some aspects of the RA program design, the core principle that the RA program provides the CAISO with the capacity it needs to reliably operate the grid should not be one of the aspects that is being re-examined.

## II. CONCLUSION

NRG thanks the Commission for this opportunity to submit these reply comments and respectfully asks the Commission take action consistent with the discussion herein.

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<sup>8</sup> Comments of NRG Energy, Inc. at 3-8.

<sup>9</sup> DRA Comments at 2.

<sup>10</sup> DRA Comments at 5.

<sup>11</sup> As the Commission has noted: “The Commission’s policy is that R[esource] A[dequacy] R[equirements] should ensure that capacity is when and where it is needed means that the RAR program design must be consistent with the CAISO’s operational needs.” Decision D.10-05-042 at 10.

Respectfully submitted,

*/s/ Brian Theaker*

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