

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

Order Instituting Rulemaking to Consider
Electric Procurement Policy Refinements
pursuant to the Joint Reliability Plan.

R.14-02-001
(Filed February 5, 2014)

**COMMENTS OF NRG ENERGY, INC.
ON PRELIMINARY SCOPING MEMO**

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For
NRG ENERGY, INC.

February 20, 2014

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Pursuant to the *Order Instituting Rulemaking* issued February 13, 2014 in the above-captioned proceeding (“OIR”), NRG Energy, Inc. (“NRG”) hereby submits these comments on the Preliminary Scoping Memo contained in that OIR.

I. COMMENTS

As a general matter, NRG applauds the Commission for moving forward to consider expanding the current single-year Resource Adequacy (“RA”) requirements to multi-year forward requirements. Properly designed, multi-year forward RA requirements could facilitate the deployment of capital improvements that would help existing resources cost-effectively meet mid-term RA obligations.

Two of the three tracks of this rulemaking – Track 1, which will consider multi-year forward RA requirements, and Track 3, which will consider rules and policy positions with respect to the California Independent System Operator Corporation’s (“CAISO’s”) development of a market-based capacity backstop mechanism to replace the CAISO’s current capacity backstop mechanism, the Capacity Procurement Mechanism (“CPM”) – are interrelated and interdependent with aspects of the CAISO’s nascent Reliability Services Initiative (“RSI”).¹

¹ Materials for the CAISO RSI are available at <http://www.caiso.com/informed/Pages/StakeholderProcesses/ReliabilityServices.aspx>.

Because this rulemaking and the CAISO's RSI are interdependent, it is critical that the two efforts be closely coordinated. Consequently, NRG respectfully requests that the staffs of the CAISO and the Commission work together to produce a joint schedule that will ensure these two efforts are effectively coordinated.

A. CPUC and CAISO Staffs Should Develop a Joint Schedule for the RSI and This Rulemaking

The CAISO and CPUC are currently launching two initiatives with interrelated matters.

The CAISO is launching its RSI, which intends to consider, among other things, (1) creating a durable (and, potentially, market-based) capacity backstop pricing mechanism to replace its CPM (which is scheduled to expire on February 16, 2016), and (2) updating the CAISO's capacity backstop and risk-of-retirement procurement authority to expand that authority to multiple years forward.²

The CAISO envisions creating a durable capacity backstop pricing mechanism in Phase 1 of the RSI. The CAISO initially estimates that it would take any recommendations coming out of RSI Phase 1 to its Board in late 2014 or early 2015.³ The CAISO also envisions that it would address multi-year issues with regards to its backstop authority in Phase 2 of the RSI effort, and that it would take recommendations from Phase 2 to its Board later in 2015.⁴

The instant rulemaking intends to consider, among other things, (1) in Track 1, multi-year forward RA obligations, and (2) in Track 3, the Commission's position with regards to a CAISO market-based capacity backstop mechanism. The OIR contemplates that a Track 1 decision would be issued in January 2015, and a Track 3 decision would be issued in September 2014.⁵

² CAISO January 28, 2014 *Reliability Services Issue Paper* at 5 ("CAISO RSI Paper"), available at <http://www.caiso.com/Documents/IssuePaper-ReliabilityServices.pdf>.

³ *Id.*

⁴ *Id.*

⁵ OIR at 20.

Examining these separate schedules raises some questions. For example, if the CAISO does not take a final recommendation on a market-based capacity backstop to its Board until Q1 2015, is it reasonable to expect a Track 3 decision (with regards to the CPUC's position on such a backstop) by September 2014? Similarly, if the CPUC does not issue a decision regarding multi-year forward RA obligations until February 2015, is it practical or efficient for market participants to invest a lot of effort in considering CAISO multi-year forward capacity backstop and risk-of-retirement mechanisms prior to knowing the final structure of the multi-year forward RA obligations?

NRG respectfully offers that the answer to both questions is no. Given the completely interrelated and interdependent nature of aspects of these two initiatives, NRG respectfully requests that the CAISO and CPUC staffs work to develop a joint, coordinated schedule that will set forth how these two initiatives will proceed in tandem, not simply in parallel. The joint schedule developed should be part of the final scoping memo in this rulemaking as well as part of the first CAISO proposal in the RSI.

Given that these intertwined initiatives are still in the formative stages, the time is ripe for this close coordination. These initiatives are important. They are interdependent and interrelated. As such, they should be intentionally coordinated.

II. CONCLUSION

NRG thanks the Commission for this opportunity to submit these comments on the Preliminary Scoping Memo and respectfully asks the Commission to consider these comments when developing the final scoping memo for this rulemaking.

Respectfully submitted,

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