

**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.
ON WORKSHOP TOPICS**

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For
NRG ENERGY, INC.

April 25, 2014

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OF THE STATE OF CALIFORNIA**

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ON WORKSHOP TOPICS**

NRG Energy, Inc.¹ (“NRG”) hereby submits these reply comments regarding the initial comments on proposals discussed at the April 9, 2014 workshop.

I. REPLY COMMENTS

A. PG&E’s Proposal to Allocate a Portion of the Flexibility Requirement to Variable Energy Resources Should Not Be Considered

In its initial comments, the Pacific Gas & Electric Company (“PG&E”) expressed support for allocating the flexibility requirement created by variable energy resources (VERs) to VERs.² PG&E offered this support in the context of opposing both Energy Division’s proposal for allocating the aggregate flexibility requirement on the basis of load ratio share and the California Independent System Operator Corporation’s (“CAISO’s”) proposal for allocating the aggregate flexibility requirement to load serving entities on the basis of load ratio share and each load

¹ NRG Energy, Inc. is the parent of NRG Power Marketing LLC, GenOn Energy Management, LLC, Cabrillo Power I LLC, Cabrillo Power II LLC, El Segundo Power LLC, NRG Delta LLC, NRG Marsh Landing LLC, NRG California South LP, Walnut Creek Energy, LLC, High Plains Ranch II, LLC, Long Beach Generation LLC, NRG Solar Alpine LLC, NRG Solar Borrego I LLC, NRG Solar Blythe LLC, NRG Solar Roadrunner LLC and Avenal Solar Holdings LLC, each of which owns and operates or markets generating resources in California. Because the focus of this proceeding is on California market issues, NRG Energy, Inc. appears on behalf of these entities.

² April 18, 2014 PG&E comments submitted in Rulemaking R.11-10-023 at 7-8. All references to comments in this document are references to initial comments submitted on April 18, 2014 in the above-captioned proceeding.

serving entity's contribution to the maximum monthly three-hour ramp.

At this time, the Commission should not consider allocating any portion of the flexibility requirement to VERs. Neither of the two proposals for allocating the aggregate flexibility requirement given meaningful consideration in this phase of the rulemaking – the CAISO's and Energy Division's – proposed to allocate any portion of the flexibility requirement to VERs. There has been no meaningful discussion of the implications of allocating a requirement to procure flexible capacity to entities that are simply providing capacity and may not be equipped to deal with all of the requirements associated with procuring capacity. Similarly, there has been no meaningful discussion regarding whether allocating a flexible capacity requirement to VERs is "fair" or how doing so would create efficient procurement outcomes, as PG&E proposes.

It is inappropriate for PG&E to point to the settlement in the CAISO Flexible Ramping Constraint (FRC) proceeding at the Federal Energy Regulatory Commission, in which generators agreed to bear a portion of costs of the flexible ramping constraint, to justify its position that VERs should be required to bear a portion of the flexibility requirement.

First, PG&E's comparison of the need for flexible capacity to the tenets of the FRC settlement is technically inapt. Section 3.6 of the Offer of Settlement sets forth that 25 percent of monthly FRC costs shall be allocated to Scheduling Coordinators on the basis of monthly net negative supply deviations, *i.e.*, the amount of generation that was scheduled but not delivered over the course of a month.³ While PG&E supports allocating a portion of the flexibility requirement only to VERs, all generation, not just VERs, can incur net negative supply deviations. Additionally, under the modified Participating Intermittent Resource Program that

³ The FRC Offer of Settlement was filed with the Federal Energy Regulatory Commission on July 27, 2012 in Docket No. ER12-50 and can be found at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13035433>.

will be part of the soon-to-be implemented Order 764 real-time market redesign, to the extent that a VER's actual five-minute output is following its five-minute CAISO forecast, it will not incur any net negative supply deviation. Consequently, a VER that is following its CAISO forecast would not be allocated *any* FRC cost under the terms of the FRC settlement, even though its naturally varying output is presumed to be contributing to the need for flexible capacity (e.g., solar PV generation ramping out in the afternoon contributing to the net load ramp). In sum, the principles underlying Scheduling Coordinators incurring FRC costs under the terms of the FRC settlement are unrelated to any arguments related to VERs being allocated a requirement to procure flexible capacity.

Second, bearing a portion of *financial costs* incurred in a centralized market optimization as part of a negotiated settlement is totally different than being allocated *a requirement to procure flexible capacity*, especially when that requirement currently can only be satisfied through bilateral contracting. Assuming then, *arguendo*, that the comparison to the principles in the FRC settlement was apt – which it is not – the resulting obligation to generators is *not* comparable.

Finally, the FRC settlement expressly noted that the agreement reached among the parties was intended to only resolve the issues in that proceeding and was not intended to be precedential.⁴

For all of these reasons, PG&E's support for allocating a portion of the flexibility requirement to VERs should not be given any weight, and the Commission should not allocate

⁴ Section 6.3 of the FRC Offer of Settlement sets forth: "The Offer of Settlement is intended to relate only to the specific matters referred to in the Offer of Settlement. Except as specifically provided for this Offer of Settlement or in the attached documents, nothing in the Offer of Settlement shall determine or constitute a ratemaking principle binding on the Parties in the future, and no Party shall be deemed to have approved, accepted, agreed, or consented for purposes other than this proceeding to any specific ratemaking methodology or principle, accounting treatment, or level of expense or revenue." FERC approved this Offer of Settlement in a letter order issued on October 3, 2012.

any portion of the flexibility requirement to VERs.

B. Deferring Implementation of the Flexibility Requirement and Calculation of Qualifying Capacity Values

Some parties advocate deferring until 2016 both the implementation of flexibility requirements and using Effective Load Carrying Capability (“ELCC”) analysis to calculate the Qualifying Capacity (“QC”) values for wind and solar resources.⁵ Conversely, the CAISO urges flexibility requirements to be implemented for the 2015 RA year.⁶

While it is clear that not all aspects of how the flexibility requirement will be implemented have been resolved and agreed to, NRG agrees with the CAISO that it is better to implement a mandatory flexibility requirement and allow all parties to gain experience with it before the flexibility requirement materially affects procurement. The flexibility requirement will evolve and be refined over time, as other aspects of the Resource Adequacy program have. The topic of flexibility has been discussed in this proceeding for several years now; deferring implementation of the flexibility requirement until every affecting detail has been irrevocably resolved is only likely to promote further indefinite deferral.

In contrast, NRG supports deferring assigning QC values to wind and solar resources through ELCC analysis to 2016. NRG shares SCE’s concerns that the revised ELCC values – which, as SCE and other parties have noted, have neither yet been released nor vetted – will substantially affect these resources’ QC values and, correspondingly, these resources’ total value.⁷ These significant changes should not be adopted until the results and the implications of changed QC values on all affected parties can be thoroughly vetted.

⁵ See, e.g., PG&E Comments at 16-17; The Utility Reform Network (“TURN”) comments at 1; Office of Ratepayer Advocates (“ORA”) comments at 5, Southern California Edison Company (“SCE”) comments at 4-5.

⁶ CAISO Comments at 2-3.

⁷ SCE comments at 5.

C. NRG's Replies on Other Matters Raised In Initial Comments

For the sake of brevity and convenience, NRG notes its positions on various matters raised in initial comments in summary form here:

- NRG agrees with PG&E's position to reject further allocation of local capacity requirements.⁸
- NRG echoes PG&E's and CAISO's support for Energy Division's proposal to reinstate the Maximum Cumulative Capability buckets.⁹
- NRG echoes several parties' support for the Energy Division's revised proposal that allows Combined Heat and Power resources procured in one LSE's service area to count towards another LSE's RA requirements.¹⁰
- NRG agrees with the CAISO that in order for a storage resource's effective flexible charging and discharging capability to count towards its effective flexible capacity, the resource must be registered with the CAISO as a non-generator resource so that the CAISO can manage its charging and discharging.¹¹

⁸ PG&E comments at 16.

⁹ PG&E comments at 11, CAISO comments at 14.

¹⁰ PG&E comments at 14-15, SCE comments at 9, TURN comments at 2, SDG&E comments at 4.

¹¹ CAISO comments at 21.

II. CONCLUSION

NRG thanks the Commission for the opportunity to submit these reply comments and respectfully asks the Commission to consider these comments in its decisions on these matters.

Respectfully submitted,

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