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NRG Energy, Inc. Comments on June 9, 2016 Regional ISO Governance Principles

Additional submitted attachment is included below.
July 7, 2016

California Energy Commission
Dockets Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512


Submitted via the California Energy Commission Website

To Whom it May Concern:

   NRG Energy, Inc. (“NRG”) hereby submits comments on the June 9, 2016 California Independent System Operator Corporation Proposal: Proposed Principles for Governance of a Regional ISO (hereinafter, “Proposal”). NRG, through its affiliates, owns and operates more than 9,000 MW of gas-fired, solar photovoltaic, solar thermal and wind generation within California. Through these resources, NRG provides Resource Adequacy (“RA”) capacity in accordance with the RA program established and administered by the California Public Utilities Commission and operated by the CAISO. NRG’s resources also participate directly in the ISO’s energy and ancillary services markets. NRG also owns and operates resources in other western states, including Arizona, New Mexico, and Colorado.

NRG offers the following comments on three aspects of the Proposal:

1. Preservation of State Authority:

   - The ISO’s new governance structure will include binding provisions to protect and preserve state authority over matters currently regulated by the states themselves, including procurement policy, resource planning and CPCN approvals for utilities within their jurisdiction, and resource or transmission siting within their state.

   - This will include a provision in ISO bylaws or other corporate governing documents that prevents the ISO from adopting any policy that would diminish or impair state or local authority in those areas.
• This also will include a provision that prohibits the ISO from proposing or endorsing any centralized market for forward procurement of electric capacity products.

NRG comment: NRG opposes this aspect of the Proposal. A document on governance should not prohibit the regional governing body from considering a policy or market design matter. States are free to advocate for or against any policy matter or market design element the Board may consider, but there cannot be any blanket prohibition regarding a potential market design element codified in the bylaws of a regional ISO, particularly one as broadly and imprecisely scoped in the Proposal.

Indeed, such a prohibition, even if legal, could jeopardize the reliability of the Western Interconnection. If the CAISO moves forward with its expansion plan, then it will be operate a multistate ISO, which necessarily involves the oversight of the Federal Energy Regulatory Commission (“FERC”) in insuring resource adequacy. Even the tariff of the Midcontinent ISO (“MISO”), which is largely comprised of vertically integrated utilities with a bilateral market, includes resource adequacy provisions that mandate procurement of adequate supplies of capacity and specifies a penalty for non-compliance.

Further, even the CAISO’s existing tariff includes provisions for governing resource adequacy, including penalties for deficiencies and emergency backstop procurement authority. It is not clear how a capacity market prohibition would be enforced in a manner that would not unduly restrict the CAISO’s (and FERC’s) obligation to ensure reliability.

Finally, it is not clear that the Federal Power Act would permit a public utility to restrict its filing rights under section 205 on a particular topic. Such provisions only typically exist in settlement agreements or other bilateral contracts, which is not what is contemplated in this Proposal.

8. Stakeholder Processes and Stakeholder Participation:

• The transitional committee will consider changes to the ISO’s current stakeholder process to facilitate broad and robust stakeholder participation.

NRG comment: The CAISO’s current stakeholder process, which lacks formal committees and voting structures but has defined process guidelines, has proven to be a relatively successful platform for consideration of market design issues, with one very important exception – the role of stakeholders in developing priorities for the CAISO and stakeholder consideration. The CAISO’s current work prioritization process provides little meaningful opportunity for stakeholders to shape the CAISO’s priorities. The CAISO should use this window of opportunity to develop and implement a work prioritization process, independent of whether it pursues further regionalization.

Additionally, the CAISO should use this opportunity to step back and re-examine that process to see how it can be improved, to the benefit of the CAISO and its stakeholders.

• Specific topics the committee with consider in this area include:
1. Whether there are any process improvements that could facilitate broad participation in stakeholder proceedings;

2. Whether any formal stakeholder committees should be established, and if so, the composition of the committee(s) and the role it would play; and

3. Whether there should be a funding mechanism to facilitate the participation by State consumer advocate bodies, and if so, who would qualify for such funding, who would pay for it, and how funds would be allocated.

NRG comment: NRG does not see the need for the establishment of additional stakeholder committees at this time. However, we would point to the Entergy Regional State Committee (“ERSC”) as an example of a successful example of how state entities influence the MISO stakeholder process without voting in the actual committee process.

Finally, NRG recommends that the costs of state-specific consumer advocate participation in the ISO stakeholder process should be funded by those specific states, not broadly funded by ISO market participants. Such a scheme maximizes state authority and decision-making over its own level of participation in the stakeholder process and avoids due process issues of requiring market participants to fund speech with which they may or may not agree.

Respectfully submitted,

/s/ Brian Theaker
Brian Theaker
Director, Regulatory Affairs
NRG Energy, Inc.