



# NRG Energy, Inc. Track 2 Proposal

JULY 19, 2018 ENERGY DIVISION WORKSHOP

# Current Challenges



- ▶ Single-year forward RA structure misaligned with generating unit major maintenance timing
- ▶ Failure to enforce sub-area requirements
- ▶ Fragmentation of load serving responsibility
  - ▶ Mismatch between buyer and generating unit size
- ▶ Accommodating RA program changes in a bilateral structure

# Centralized Procurement vs. IOU Central Buyer

- ▶ Centralized Procurement:
  - ▶ Avoids minority doing “on behalf of” procurement for majority
  - ▶ Procurement insulated from credit risk of a single buyer
  - ▶ Facilitates load migration through reconfiguration
  - ▶ Independence
  - ▶ Transparency
  - ▶ Centralized will take longer to stand up

# NRG's Proposal (1)

- ▶ Based on PJM's Reliability Pricing Model (RPM)
- ▶ Product transacted is unforced capacity
- ▶ Three-year forward auction procures 100% of RA requirements (local, flex, system), settled in delivery year
- ▶ Multiple reconfiguration auctions closer to delivery year
- ▶ RPM allows both FRRR and bilateral procurement cleared through market
  - ▶ FERC's June 29 Order in EL16-49 and ER18-1314 directing PJM to explore, within a new FPA Section 206 proceeding (EL18-178), using the FRRR concept for addressing resources with extra-market support
  - ▶ Such resources would be removed from RPM (along with a corresponding amount of load) or subject to a MOPR

# NRG's Proposal (2)

- ▶ Downward sloping demand curve avoids binary pricing outcomes
- ▶ IRM set through stochastic analysis
- ▶ DR, EE and transmission solutions participate in auction
- ▶ Market Power Mitigation
  - ▶ Obligation to offer into the auction
  - ▶ Seller offer cap
  - ▶ MOPR
- ▶ Performance Mechanisms
  - ▶ Seasonal capability testing
  - ▶ Commitment compliance
  - ▶ Resource performance under stressed conditions
- ▶ Need for a transition period

