



NRG Energy, Inc.

Date: June 4, 2008
To: NEPOOL Participants Committee
From: Pete Fuller

memo

Subject: Treatment of De-list Bids Rejected for Reliability Reasons
(Amendment #3)

At the June 6, 2008 NEPOOL Participants Committee meeting, NRG will be seeking to amend ISO-NE's proposed market rule changes to address the treatment of de-list bids rejected for reliability reasons. NRG previously offered its proposals at the Markets Committee, including in presentations at the April 8 and April 24 meetings of the committee and for a vote at the May 13-15 meeting. Amendments #1 and 2 are described in memos distributed to the MC and circulated with the supplemental materials for the Participants Committee meeting.

NRG's 'Amendment #3' would change the date by which the ISO must inform the owner of a resource with a Static, Export, Administrative Export, Dynamic, or partial Permanent De-List Bid whether it is no longer needed for reliability reasons under Section III.13.2.5.2.5.1(a)(ii) of the proposed rules. Specifically, NRG proposes to amend the language as shown:

(a)(ii) A resource will qualify for payment under Section III.13.2.5.2.5.1 (a)(i) if the ISO has not notified the resource that it is no longer needed for reliability reasons by 12:00 a.m. on ~~June 1~~ May 1 of the year preceding the Capacity Commitment Period for which the delist bid was rejected. Once qualified under this Section (a)(ii), compensation will be provided for the 12-month Capacity Commitment Period for which the de-list bid was rejected.

The purpose of this amendment is to provide to a resource *that will not be needed* for reliability one year hence the opportunity to participate in the annual reconfiguration auction for that capacity commitment period a little over one year in the future. According to ISO's presentation at the Markets Committee on May 28, the proposal now is to have the 'second' annual reconfiguration auction take place in the latter part of May, roughly 13 months prior to the start of the applicable capacity commitment period. (At the May 13 Markets

Committee meeting, NRG's proposed amendment was to change the date from June 1 to March 15, on the understanding that the relevant reconfiguration auction would take place early in April.) Thus, the amendment seeks to have such notice provided by some deadline shortly prior to the reconfiguration auction, perhaps one to two weeks.

The primary means for resources with rejected de-list bids to be made no longer necessary will be via transmission upgrades to resolve localized constraints. There is no mechanism for ISO to procure capacity in a reconfiguration auction when it already has that capacity available to it in the form of the resource with the rejected de-list bid. Therefore, waiting for another annual reconfiguration auction to occur before providing notice will produce no new information with which the ISO can make a decision about the reliability need of the resource with the rejected de-list bid. On the other hand, a resource that is allowed to de-list under a static or dynamic de-list may very well want to compete in reconfiguration auctions due to changes in market circumstances in the up to 35 months that have passed since the de-list bid was submitted and up to 26 months since the auction occurred. Waiting until after the second reconfiguration auction to provide notice to a resource *that will not be needed* for reliability one year hence deprives that resource of a valuable opportunity to test the market, and provides no benefit to the ISO or to consumers.