

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System) Docket No. ER19-458-000
Operator Corporation)**

**MOTION TO INTERVENE AND COMMENTS
OF THE DEPARTMENT OF MARKET MONITORING FOR THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212, and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§385.212, 385.214, the Department of Market Monitoring (“DMM”), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”) submits this motion to intervene and comment in the above captioned proceeding. In this proceeding, EDF Trading North America, LLC (“EDFT”) seeks recovery of \$8,774,791 in fuel costs incurred to operate generating units scheduled and dispatched in the CAISO market from July 20, 2018 to August 10, 2018 pursuant to Tariff Section 30.7.12.¹

I. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to these comments and motion to intervene, and afford DMM full rights as a party to this proceeding. As this proceeding involves compliance with CAISO tariff provisions designed to protect consumers and market participants in the CAISO markets, it implicates matters within DMM’s purview.²

¹ Application to Recover Fuel-Related Costs and Request for Confidential Treatment and Waiver, EDF Trading North America, LLC, ER19-458-000, November 29, 2018. (“EDFT Filing”).

² CAISO Tariff Appendix P, Section 1.2.

II. COMMENTS

In the limited time period since EDFT's filing, DMM has been able to review and analyze many aspects of EDFT's filing. Based on this review, DMM has numerous specific objections to EDFT's filing and supporting calculations. DMM supports a process for allowing Commission staff, the CAISO, DMM and other intervening parties to perform more detailed review of EDFT's request for cost recovery.

Relevant tariff provisions

EDFT's filing seeks recovery of fuel costs under Tariff Section 30.12.1. The portions of tariff Section 30.12.1 under which Scheduling Coordinators may seek recovery of fuel costs related to energy bids state the following:

A Scheduling Coordinator or EIM Participating Resource Scheduling Coordinator may seek to recover through a FERC filing pursuant to Section 205 of the Federal Power Act any actual margin fuel procurement costs that cannot be recovered through CAISO market revenues under the following conditions:

- (i) A Scheduling Coordinator or EIM Participating Resource Scheduling Coordinator is mitigated to its Default Energy Bid that is calculated pursuant to any of the options set forth in Section 39.7.1, or the competitive LMP through the Local Market Power Mitigation as specified in Sections 31.2 and 34.1.5;
- (ii) A Scheduling Coordinator whose Exceptional Dispatch is mitigated pursuant to Section 39.10 for any of the options set forth in Section 39.7.1, or submits no Bid, and the Exceptional Dispatch is settled at the greater of the applicable Default Energy Bid or resource-specific LMP;
- (iii) [not relevant to EDFT's filing]
- (iv) A Scheduling Coordinator that is subject to a Generated Bid as set forth in Sections 30.7.3.4, 39.7.1.1.1, and 40.6.8.

EDFT's filing also notes that "to the extent that any of the unrecovered costs identified in this Application are determined recoverable under section 30.11 of the CAISO Tariff," EDFT "reserve[s] the right to seek recovery of such costs under that

section.”³ Tariff Section 30.11 provides for recovery of actual fuel procurement costs related to commitment costs under the following conditions:

If a Scheduling Coordinator incurs but cannot recover through the Bid Cost Recovery process any actual marginal fuel procurement costs that exceed (i) the limit on Bids for Start-Up Costs set forth in Section 30.7.9, (ii) the limit on Bids for Minimum Load Costs set forth in Section 30.7.10, or (iii) the limit on Bids for Transition Costs set forth in Section 30.4.1.1.5, the Scheduling Coordinator for the resource may seek to recover those costs through a FERC filing made pursuant to Section 205 of the Federal Power Act.

DMM’s review indicates that a portion of the gas costs for which EDFT is seeking recovery are covered under each of these different tariff sections. Both of these sections have similar requirements for determining whether a unit is eligible for fuel cost recovery: (1) the Scheduling Coordinator did not recover the unit’s actual marginal fuel procurement costs after accounting for bid cost recovery received for that operating day; and (2) these unrecovered costs resulted from mitigation of commitment cost or energy bids based on bid caps applied by the CAISO (either through energy bid mitigation or limits on commitment cost bids). As explained in the following sections, DMM’s review indicates that most of the cost recovery being sought in EDFT’s filing does not meet these requirements.

EDFT’s filing contains numerous errors in the summation of total daily market revenues which inflate gas cost recovery calculations.

Tariff Sections 30.11 and 30.12 both require that, in order to be eligible for fuel cost recovery, the Scheduling Coordinator must first show a unit could not recover its actual costs through CAISO market revenues, including bid cost recovery payments. Since bid cost recovery payments are calculated for each trade day, this requires that analysis be performed for each unit on a daily basis.

³ EDFT Filing, p. 2 footnote 2.

DMM's review indicates that EDFT's filing appears to contain significant errors involving the summation of total daily revenues for each unit used in EDFT's calculations. EDFT's filing provides an example of the methodology employed by showing daily totals for Huntington Beach Unit 2 on August 3, 2018.⁴ In this example, the unit's total CAISO revenue is shown as \$275,839, which results in a fuel cost recovery of \$69,784. However, based on the detailed settlement data provided in confidential Attachment A.2 of EDFT's filing, total CAISO market revenues on this day for Huntington Beach Unit 2 are significantly higher than the \$275,839 used in EDFT's calculations.⁵ When the calculations in this example are redone with the correct summation of CAISO market revenues (along with the costs gas and non-fuel costs reported by EDFT), this shows that the unit's total operating and gas costs were fully recovered through CAISO market revenues on August 3.⁶

DMM's review indicates that EDFT's calculations for other days and units are based on similarly incorrect summation of CAISO market revenues. When all of the calculations in EDFT's filing are redone with the correct summation of CAISO market revenues, the gas cost recovery resulting from EDFTs methodology are reduced from about \$8.8 million to about \$6.6 million.⁷

⁴ EDFT Filing, p. 13.

⁵ Specifically, the errors involve the daily revenue totals in column C of the worksheets for each unit labeled "Rest of CAISO Statement" in Attachment A.1 of EDFT's filing. When added to the revenues from "DA Energy" in column B, the total revenues in column C of these worksheets do not equal the summation of revenues reported in Attachment A.2 ("AES PO Market Results") of EDFTs filing. DMM also calculated total revenues for using CAISO settlements data, and found this generally consistent with totals derived from the data in Attachment A.2 of EDFTs filing.

⁶ DMM Attachment A, "HB 2" worksheet, row 17.

⁷ DMM Attachment A, "Summary" worksheet, cell AD94.

EDFT's filing includes days when the CAISO's commitment cost bid caps and default energy bids did not prevent EDFT from recovering their actual gas costs.

Bid caps for startup and minimum load bids calculated by the CAISO include an additional 25 percent headroom above the CAISO's calculation of each unit's actual commitment costs.⁸ Thus, a Scheduling Coordinator's actual gas procurement costs must be at least 25 percent higher than the gas price index used by the CAISO in calculating commitment cost bid caps before these caps can prevent a Scheduling Coordinator from recovering gas costs associated with unit commitments through the startup and commitment cost bids submitted by the Scheduling Coordinator.⁹

Similarly, default energy bids used to mitigate energy bids through the CAISO local market power mitigation procedures or provisions for mitigation of exceptional dispatches include an additional 10 percent headroom above the CAISO's calculation of each unit's actual marginal energy costs.¹⁰ Thus, a Scheduling Coordinator's actual gas procurement costs must be at least 10 percent higher than the gas price index used by the CAISO in calculating default energy bids before these caps can prevent a Scheduling Coordinator from recovering gas costs associated with energy dispatches mitigated under the CAISO's local market power mitigation procedures and provisions for mitigation of exceptional dispatches.¹¹

⁸ Tariff Section 30.7

⁹ In practice, the scheduling coordinator's gas cost must be more than 25 percent higher than the gas price index used by the CAISO to calculate commitment cost bid caps to prevent full cost recovery since the 25 percent headroom incorporated in commitment cost bid caps includes all non-fuel components of start-up and minimum load bids.

¹⁰ Tariff Section 30.7

¹¹ In practice, the scheduling coordinator's gas cost must be more than 10 percent higher than the gas price index used by the CAISO to calculate default energy bids to prevent full cost recovery since the 10 percent adder is also applied to all non-fuel components of a unit's default energy bid.

DMM's review of EDFT's filing shows that on many days, EDFT's reported actual gas costs do not exceed the gas price index used by the CAISO to calculate commitment cost bid caps and default energy bids by more than 10 percent. In fact, EDFT's filing requests gas cost recovery on many days when their reported gas cost is actually lower than the gas price index used by the CAISO. DMM's analysis indicates that of the \$6.6 million in costs included in EDFT's filing (after correction of calculation errors as previously described), about \$4 million corresponds to units and days when EDFT's reported actual gas costs are within 10 percent of the gas price index used by the CAISO to calculate bid caps.¹² This component of EDFT's filing should not be eligible for recovery under Section 30.11 or 30.12 of the CAISO tariff, since commitment cost bid caps and default energy bids calculated by the CAISO include 25 percent and 10 percent adders, respectively. Thus, commitment cost and energy bids submitted by EDFT for these units/days were not limited by the commitment cost bid caps and energy mitigation procedures of the CAISO.

After excluding the \$4 million corresponding to units and days when EDFT's actual gas costs were within 10 percent of the gas price index used by the CAISO, EDF's potential gas cost recovery is about \$2.6 million.¹³ Additional analysis and verification should be performed before approval of cost recovery for this component of EDFT's filing.

¹² DMM Attachment A, "Summary" worksheet, cell AD158.

¹³ Of this \$2.6 million, about \$500k corresponds to days when EDFT's reported gas costs were between 10 to 25 percent higher than the gas price index used by the CAISO. See DMM Attachment A, "Summary" worksheet, cells AD187 and AD216.

III. CONTENTS OF FILING

This filing contains the following:

- The motion to intervene and comment in the above captioned proceeding herein.
- DMM Attachment A (CUI - PRIV - DO NOT RELEASE).xls. This spreadsheet is a modified version of Attachment A.1 of EDFT's filing which contains DMM's additional calculations by unit and date.

III. REQUEST FOR CONFIDENTIAL TREATMENT

DMM requests confidential treatment of DMM Attachment A pursuant to section 388.112 of the Commission's regulations. This material contains sensitive commercial, market and financial information that is privileged and confidential. In conformance with section 388.112 of the Commission's regulations, EDF has provided a proposed protective order in Attachment C of EDF's filing. DMM Attachment A is marked "CUI-PRIV – DO NOT RELEASE."

IV. SERVICE

DMM has provided a non-redacted copy of this filing which includes DMM Attachment A to the EDF Trading North America and the California Independent System Operator Corporation.

V. CONCLUSION

DMM respectfully requests that the Commission afford due consideration to these comments. Because EDFT has not met its burden to show the requested cost recovery is just and reasonable, DMM asks that the Commission establish a process for allowing Commission staff, DMM and other interested parties to perform more detailed review of EDFT's request for cost recovery.

Respectfully submitted,

/s/ Eric Hildebrandt

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Independent Market Monitor for the California
Independent System Operator Corporation

Dated: December 21, 2018

**Motion to Intervene and Comments of the Department of Market Monitoring
of the California Independent System Operator Corporation**

December 21, 2018

Attachment A

DMM Attachment A (CUI - PRIV - DO NOT RELEASE).xls

**[ATTACHMENT CONSISTS OF PRIVILEGED MATERIAL REDACTED
PURSUANT TO 18 C.F.R. § 388.112]**

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 21st day of December, 2018.

Grace Clark
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