

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

**GenOn Energy Management, LLC
NRG California South LP**

Docket No. ER19-554-000

**MOTION TO INTERVENE AND COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (CAISO) respectfully files this motion to intervene and comments in response to GenOn Energy Management, LLC's (GenOn) December 13, 2018 filing to recover fuel costs not covered through CAISO market settlements¹

I. BACKGROUND

Through its filing, GenOn seeks to recovery fuel-related costs not recovered from the CAISO markets for the August 4, 2018 trading day pursuant to CAISO Tariff Section 30.11. This tariff section allows a market participant to submit a Federal Power Act section 205 filing to recover any "actual marginal fuel procurement costs" related CAISO start-up, minimum load costs and transition costs, for multi-stage resources, for any trading days identified by the market participant within the tariff specified time frame. In this case, GenOn notified the CAISO of its intention to make a filing under section 30.11 by notice dated August 24, 2018 for the August 4, 2018 trading day. GenOn did not request fuel cost recovery under CAISO tariff section 30.12, which provides for cost recovery of energy bid related fuel costs. In response, and as also required by section

¹ The CAISO moves to intervene and submits these comments pursuant to Rules 212 and 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.214 (2018).

30.11, the CAISO prepared a report summarizing the CAISO market circumstances and fuel market conditions that may have affected the ability of a resource to recover its gas costs. The CAISO prepared and delivered that report on October 16, 2018 and GenOn included it as Attachment D its publicly available filing.

The report shows the August 4, 2018 trading day was a date within the time period (July 19 through August 10, in 2018 of extremely high load conditions and high natural gas prices. As explained in GenOn's filing, the CAISO calculates daily gas prices using published gas prices for the day-ahead market and the real-time market pursuant to CAISO Tariff Sections 30.4.1 and 39.7.1.1.1.3, using published gas prices that may not reflect the most up-to-date pricing information when market participants make purchasing decisions. The CAISO caps commitment cost bids at 125% of calculated proxy costs. The CAISO agrees that market participants procuring natural gas to meet CAISO schedules and dispatches for the August 4, 2018 trading day could have incurred natural gas costs that market participant could not reflect in commitment cost bids if CAISO market and gas market conditions change significantly following the CAISO's calculation of the gas price pursuant to the CAISO tariff.²

This type of circumstance is why the CAISO amended the tariff to include the right to file at the Commission to recover additional costs and is also why the CAISO will file with the Commission in 2019 new market rules to allow market participants to update the gas cost component to reflect such cost.³ The purpose of the instant proceeding is to verify and validate whether GenOn was unable to recover commitment

² See GenOn filing at pp. 10-15.

³ See the Commitment Cost and Default Energy Bid Enhancement stakeholder initiative at the following link: http://www.aiso.com/informed/Pages/StakeholderProcesses/CommitmentCosts_DefaultEnergyBidEnhancements.aspx.

related gas costs pursuant to CAISO Tariff Section 30.11 and, if so, what the shortfall amount is. Consistent with Section 30.11 of the CAISO Tariff, once the Commission determines the amount or approves a settlement, the CAISO will pay the excess costs and allocate the costs through CAISO Tariff Section 11.14 (Neutrality) to measured demand.

II. COMMENTS

Through its filing, GenOn has submitted a significant amount of support (much of it confidential) to support its claim that the CAISO market revenues did not cover its gas related commitment costs. However, GenOn's filing does not provide adequate support or explanation of the commitment related excess gas costs it actually incurred. Rather, GenOn's filing analyzes the full trading day costs, including fuel costs associated with energy bids for the August 4, 2018 trading day. In addition, GenOn did not request excess gas cost recovery under CAISO Tariff Section 30.12, which provides for cost recovery of energy bid related fuel costs. Therefore, GenOn should have netted out their incremental energy cost exposure from their calculations. It is not clear that they have. Further, GenOn has not provided sufficient information on how it allocates fuel purchase costs to generating plant or how pooling and hedging practices may affect actual fuel related commitment costs for the July 23, 2018 trading day. Accordingly, additional explanatory information is needed to verify what incremental commitment related costs GenOn may be entitled to.

Because GenOn has not met its burden to show the requested cost recovery is just and reasonable, the CAISO requests that the Commission suspend the proceeding subject to hearing and settlement judge proceedings. The CAISO is hopeful that

informal exchanges of information with GenOn will lead to a just and reasonable resolution of the issue in this docket. Therefore, the CAISO requests that the Commission provide all parties with a reasonable opportunity, until February 28, 2019, to resolve this issue before initiating either a hearing or settlement judge procedures.

III. MOTION TO INTERVENE

Because GenOn is requesting fuel cost recovery under the CAISO Tariff, the CAISO has a substantial and direct interest in the proceeding that no other party can adequately represent. The CAISO's intervention is in the public interest and should be granted.

IV. COMMUNICATIONS

In accordance with Rule 203(b)(3) of the Commission's Rules of Practice and Procedure,⁴ the CAISO respectfully requests that service of all pleadings, documents, and all communications regarding this proceeding be addressed to the following individuals:

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V. CONCLUSION

For the foregoing reasons, the CAISO request the Commission grant the its motion to intervene; rule that the cost relief requested by GenOn has not been shown to

⁴ 18 C.F.R. § 385.203(b)(3).

be just and reasonable; and hold in abeyance all hearing or settlement judge procedures until February 28, 2019 to give the CAISO and GenOn as well as intervening parties an opportunity to resolve the issue.

Respectfully submitted,

By: /s/ Sidney L. Mannheim

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Dated: January 3, 2019

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 3rd day of January, 2019.

Is/ Grace Clark

Grace Clark