

II. COMMENTS

In the limited time period since NRG's filing, DMM has been able to review and validate numerous aspects of NRG's filing. Based on this limited review, most aspects of NRG's filing appear reasonable and DMM has no specific objections. However, several aspects of the filing, such as the details of NRG's gas procurement costs, merit more detailed review. DMM supports a process for allowing Commission staff, the CAISO, DMM and other intervening parties to perform more detailed review of NRG's request for cost recovery.

As summarized in NRG's filing, NRG's filing stems from unusual gas conditions that occurred on July 20-23, 2018, combined with a misalignment between the frequency of trading in the CAISO's markets and the frequency of next-day gas trading for weekends and Mondays. Start-up and minimum load bids for NRG's units in the day-ahead market for Monday July 23, 2018 were capped at 125 percent of proxy bids calculated by the CAISO using a price of \$14.04/MMBtu, derived from the next-day market trading that took place on Friday July 20 for three day packages of gas delivery deliver from Saturday July 21 through Monday, July 23. This compares to reported prices for Monday only gas for July 23 traded on Friday July 20 of \$26/MMBtu and same day gas for July 23 of over \$40/MMBtu.³

As noted by NRG, prices participants may need to pay to purchase gas in the same day gas market do not typically exceed the next day price index used by the CAISO by more than the 25 percent headroom included in the CAISO's commitment cost bid caps.⁴ However, NRG reports a final average fuel cost of \$30.43/MMBtu for gas used to operate its

³ NRG Filing, pp.5-6.

⁴ NRG Filing, p. 3.

units in the CAISO market on July 23.⁵ NRG is seeking recovery of \$285,224 to recover fuel costs that were not recovered through NRG's total market revenues for Trade Day July 23 as a result of the difference in NRG's reported fuel cost of \$30.43/MMBtu and the \$14.04/MMBtu cost used by the CAISO in calculating bid caps for NRG's startup and minimum load bids.

As noted by NRG, Tariff Section 30.11 provides for recovery of actual fuel procurement 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.

Based on a final average fuel cost of \$30.43/MMBtu reported by NRG and other information in NRG's filing, it appears NRG's gas costs may be recoverable under Section 30.11.⁶ However, numerous aspects of the filing – such as the details of NRG's gas procurement costs -- merit more detailed review. Thus, DMM supports a process for allowing Commission staff, DMM and other interested parties to perform more detailed review of NRG's request for cost recovery.

DMM also notes that based on DMM's initial review of CAISO data for NRG's units, a relatively small portion of the total gas consumption and generation output of NRG's units on

⁵ NRG Filing, Appendix B.1. Total Gas Cost of \$1,413,016 /Total Gas Burn of 46,439 MMBtu = \$30.43/MMBtu.

⁶ Recalculating NRG's start-up and minimum load proxy costs using a \$30.43/MMBtu cost for gas yields start-up and minimum load costs in excess of the bid caps that were applicable to NRG's units given the \$14.04/MMBtu cost used by the CAISO in calculating bid caps for July 23.

July 23 was associated with real-time energy provided when units were running above units' minimum operating levels. Tariff Section 30.12.1 provides that Scheduling Coordinators may seek to recover fuel costs related to energy bids as follows:

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 ...

Although NRG's filing does not cite the provisions of Section 30.12, DMM's review of CAISO data for NRG's units indicates that a significant portion of the energy from the operation of NRG's units above minimum operating level is associated with mitigated energy bids. Again, DMM supports a process for allowing Commission staff, DMM and other interested parties to perform more detailed review of this aspect of NRG's request for cost recovery.

III. CONCLUSION

DMM respectfully requests that the Commission afford due consideration to these comments, and establish a process for allowing Commission staff, DMM and other interested parties to perform more detailed review of NRG's request for cost recovery.

Respectfully submitted,

/s/ Eric Hildebrandt

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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 11th day of December, 2018.

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