

around the President's Day weekend in February 2021. These high prices appear to have resulted from extreme weather conditions in Texas and the Midwestern United States.

In its filing, Sempra explains that the unique location of TERMEX_2_PL1X3 within the interconnected network of pipeline operators means it has access to multiple sources of gas supply and its transportation costs may vary from day to day or even hour by hour. In light of this fact, Sempra explains it manually submits fixed minimum load cost bids into the CAISO market rather than utilizing the CAISO proxy cost bidding methodology. Sempra states it utilizes a model to derive its minimum load cost bids, which in part reflects estimated gas prices that SGPM inputs into the model.

Sempra argues that on Trading Day February 13, 2021, gas markets experienced significant volatility and Sempra was not able to anticipate rapidly increasing gas prices when it entered estimated prices in its model to derive its minimum load cost bids. This, Sempra asserts, resulted in day-ahead minimum load bids that used gas prices significantly below next-day gas market prices, and resulted in uneconomic, financially binding schedules from the CAISO in the day-ahead market.

II. PROTEST

The Commission should not accept Sempra's request as just and reasonable based on the record before it. As an initial matter, CAISO tariff Section 30.12 was not in effect on February 13, 2021. Instead, as Sempra's filing reflects, the applicable tariff provisions in effect on February 13, 2021, appeared in tariff section 30.11.² These provisions offer scheduling coordinators the opportunity to recover "actual margin[al]

² See Sempra filing dated June 18, 2021 in Docket ER21-2192 at 1, n.1.

fuel procurement costs that cannot be recovered through CAISO market revenues” under certain conditions. This section allows a scheduling coordinator to recover fuel-related costs associated with specific intervals where the scheduling coordinator cannot reflect its actual fuel costs in its energy bids. Section 30.11, in effect on February 13, 2021, reads in relevant part:

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. The Scheduling Coordinator must notify the CAISO within thirty (30) Business Days after the Operating Day on which the resource incurred the unrecovered costs, and must submit the filing to FERC within ninety (90) Business Days after that Trading Day. Within sixty (60) Business Days after the Trading Day for which the Scheduling Coordinator provides notice to the CAISO per this Section, the CAISO will provide the Scheduling Coordinator with a written explanation of any effect that events or circumstances in the CAISO Markets and fuel market conditions may have had on the resource’s inability to recover the costs on the Trading Day. Each filing the Scheduling Coordinator submits to FERC must include: (1) Data supporting the Scheduling Coordinator’s claim to the unrecovered costs it seeks, including Invoices for the unrecovered costs; (2) A description of the resource’s participation in any gas pooling arrangements; (3) An explanation of why recovery of the costs is justified; and (4) A copy of the written explanation from the CAISO to the Scheduling Coordinator described above in this Section. To the extent that FERC authorizes the Scheduling Coordinator to recover any costs pursuant to the Scheduling Coordinator’s filing, the CAISO will pay the Scheduling Coordinator any amounts the Commission deems recoverable and will allocate such amounts pursuant to Section 11.14.

Sempra’s filing explains how it estimates gas prices in calculating minimum load cost bids. Sempra’s filing, however, does not explain whether the costs it allegedly incurred exceeded the maximum bids for minimum load costs for TERMEX_2_PL1X3 nor what minimum load cost bids Sempra submitted on behalf of the resource. Whether

Sempra had submitted minimum load costs bids at the cap calculated for the resource based on prevailing gas prices is a critical fact to determine if Sempra is eligible for after-the-fact cost recovery under tariff section 30.11. Allowing scheduling coordinators to seek after-the fact cost recovery when bidding below the cap for minimum load costs would create an inappropriate incentive to submit artificially low bids and then seek after the fact cost recovery. The Commission should not accept Sempra's filing without allowing parties time to validate Sempra submitted minimum load costs bids at the cap calculated for the resource based on prevailing gas prices.

Sempra's filing offers a calculation for its unrecovered costs based on calculated natural gas purchase costs adjusted for natural gas burns at its resource, less revenues received from the CAISO market for Trading Day February 13, 2021.³ The CAISO is reviewing the documents underlying Sempra's calculation. The CAISO will require time and possibly additional discovery to validate that Sempra's calculation reflects actual cost incurred less the revenues Sempra received from the CAISO markets. The Commission should not accept Sempra's filing without allowing parties to conduct this discovery and perform any additional analysis.

III. 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

³ Sempra filing at 6, n. 7.

⁴ 18 C.F.R. § 385.203(b)(3).

individuals:

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IV. CONCLUSION

For the foregoing reasons, the CAISO requests the Commission find that Sempra has not demonstrated that its request is just and reasonable and set this matter for hearing.

Respectfully submitted,

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Dated: July 9, 2021

CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned 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 9th day of July, 2021.

/s/ Martha Sedgley
Martha Sedgley