

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

**GenOn Energy Management. LLC) Docket No. ER19-554-000
NRG California South LP)**

**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, GenOn Energy Management LLC (“GEM”) seeks recovery of \$643,617 in fuel costs incurred to operate Unit 2 at the Ormond Beach Generating Station (“Ormond 2”) for August 4, 2018 pursuant to Tariff Sections 30.7.11 and 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 Request to Recover Actual Marginal Fuel Procurement Costs, GenOn Energy Management LLC, ER19-554-000, December 13, 2018. (“GEM Filing”).

² CAISO Tariff Appendix P, Section 1.2.

II. COMMENTS

In the limited time period since GEM's filing, DMM has been able to review and analyze many aspects of GEM's filing. Based on this review, DMM has been able to verify numerous components of GEM's filing and supporting calculations. However, GEM's filing incorrectly states that bid caps applied by the CAISO for August 4 were calculated with a gas price of \$13.65/MMBtu. As explained in these comments, bid caps calculated by the CAISO in the day-ahead and real-time markets were based on gas prices over \$22/MMBtu and \$24/MMBtu, respectively, or only about 12 percent and 20 percent less than the gas cost reported by GEM. Moreover, DMM's review indicates commitment cost and energy bids submitted by GEM for August 4 were not actually mitigated (i.e. lowered) by the commitment cost bid caps and default energy bids calculated by the CAISO. Therefore, DMM supports a process for allowing Commission staff, the CAISO, DMM and other intervening parties to perform more detailed review of GEM's request for cost recovery.

As indicated in GEM's filing, the CAISO issued an exceptional dispatch to GEM on the morning of August 3 (prior to the day-ahead market for August 4) directing the Ormond 2 unit to be brought on-line at 50 MW for August 4. Ormond 2 later received energy schedules in the day-ahead market for August 4 to operate at levels ranging from 175 MW to 400 MW in hours ending 17 through 21. The following day (August 4), the Ormond 2 unit received another exceptional dispatch to increase its output to at least 410 MW during hours 14:00 to 22:30. As noted in GEM's filing the Ormond 2 units was dispatched to operate at even higher levels during some evening hours on August 4 through the real-time market.

DMM's review indicates that the information on unit dispatch, generation output, gas usage, non-fuel operating costs and CAISO market revenues used in GEM's filing is highly consistent with CAISO data analyzed by DMM. GEM's filing is also based on a weighted

average gas cost of \$27.11/MMBtu based on an invoice from Tenaska Marketing Ventures (TMV), an affiliate of Tenaska Power Services (TPS), which procures fuel for GEM under an energy management agreement with GEM.³ DMM has not performed analysis of the gas costs used by GEM in calculating the operating costs of Ormond 2 on August 4.

DMM also notes that GEM's filing incorrectly states that bid caps applied by the CAISO for August 4 were calculated with a gas price of \$13.65/MMBtu. The \$13.65/MMBtu price cited in GEM's filing was only used for bid caps in the real time market for August 3. The CAISO calculates bid caps used in the day-ahead market based on a weighted average price of trades in the next day gas market reported by the Intercontinental Exchange (ICE) between 8:00 and 9:00 a.m. each day.⁴ Based on gas market trading on ICE between 8:00 and 9:00 am on the morning of August 3, the CAISO calculated a weighted average price of \$22.57/MMBtu, which was used to calculate bid caps in the day-ahead market for August 4.⁵ Bids for the day-ahead market for August 4 submitted by market participants were then due by 10 am August 3. This process is designed to ensure that the bid caps and default energy bids used by the CAISO reflect prevailing prices for gas in the next day market each morning and to allow participants the submit bids in the day-ahead market that is reflective of these gas prices.

Commitment cost bid caps and default energy bids for the real-time market for August 4 were calculated by the CAISO using a price index of \$24.10/MMBtu, which was

³ GEM Filing (Public Version), p. 3. Weighted average price of gas calculated based on data in GEM public filing, pp. 10-11.

⁴ Section 39.7.1.1.1.3 (b)

⁵ CAISO does not publish the weighted average ICE price used in the day-ahead market. The \$22.57 price represents a weighted average ICE price of \$22.25 plus \$.32 in transport fees.

calculated on the evening of August 3 based on final prices for next day gas for August 4 in multiple publications.⁶

Thus, the gas prices used to calculate bid caps in the day-ahead and real-time market exceeded the \$27.11/MMBtu gas cost reported by GEM by only about 12 percent and 20 percent, respectively. Moreover, DMM's review indicates commitment cost and energy bids submitted by GEM for the day-ahead and real-time market for August 4 were not actually mitigated (i.e. lowered) by the commitment cost bid caps and default energy bids calculated by the CAISO.

III. CONCLUSION

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

⁶ Section 39.7.1.1.1.3 (c)

Respectfully submitted,

/s/ Eric Hildebrandt

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Independent Market Monitor for the California
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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.

/s/ Anna Pascuzzo

Anna Pascuzzo