

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

**California Independent System            ) Docket No. ER21-1164-000  
Operator Corporation                    )**

**MOTION TO INTERVENE AND COMMENTS  
OF THE DEPARTMENT OF MARKET MONITORING  
OF 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.

**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. Pursuant to the Commission’s Order 719, the CAISO tariff states that “DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market Participants, and other interested entities.”<sup>1</sup> As this proceeding involves CAISO tariff provisions which affect the efficiency of CAISO markets, it implicates matters within DMM’s purview.

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<sup>1</sup> CAISO Tariff Appendix P, Section 5.1.

## II. COMMENTS

In this tariff filing, the CAISO proposes minor revisions to tariff section 30.12.1 (b) that would allow after-the-fact recovery of energy costs in excess of \$1,000/MWh. CAISO also requests that the tariff amendment go into effect the day it was submitted, February 17, 2021.<sup>2</sup> DMM supports the tariff revision and the request that the revision be allowed to go into effect as of February 17, 2021. DMM also recommends that the CAISO clarify that actual gas costs associated with operating at minimum load or responding to manual energy dispatches to operate above minimum loads can be recovered or further modify the tariff as needed to allow recovery of these costs. We provide brief comments on these issues below.

### **DMM supports allowing after-the-fact recovery of energy costs over \$1,000/MWh effective on February 17, 2021.**

As the CAISO explains in the Transmittal Letter, its tariff currently does not clearly allow for after-the-fact recovery of energy costs over \$1,000/MWh. It is important for the CAISO to have provisions that allow resources to recover actual costs that resources have incurred. If a resource's costs for providing energy to CAISO exceed the revenues that the resource expects to receive, the resource owner will have strong incentives to not offer its energy to CAISO. This could limit the total energy supply available to meet CAISO load and could potentially threaten reliability. Therefore, DMM supports the CAISO's proposed revisions that will allow resources to recover costs they incur in excess of \$1,000/MWh

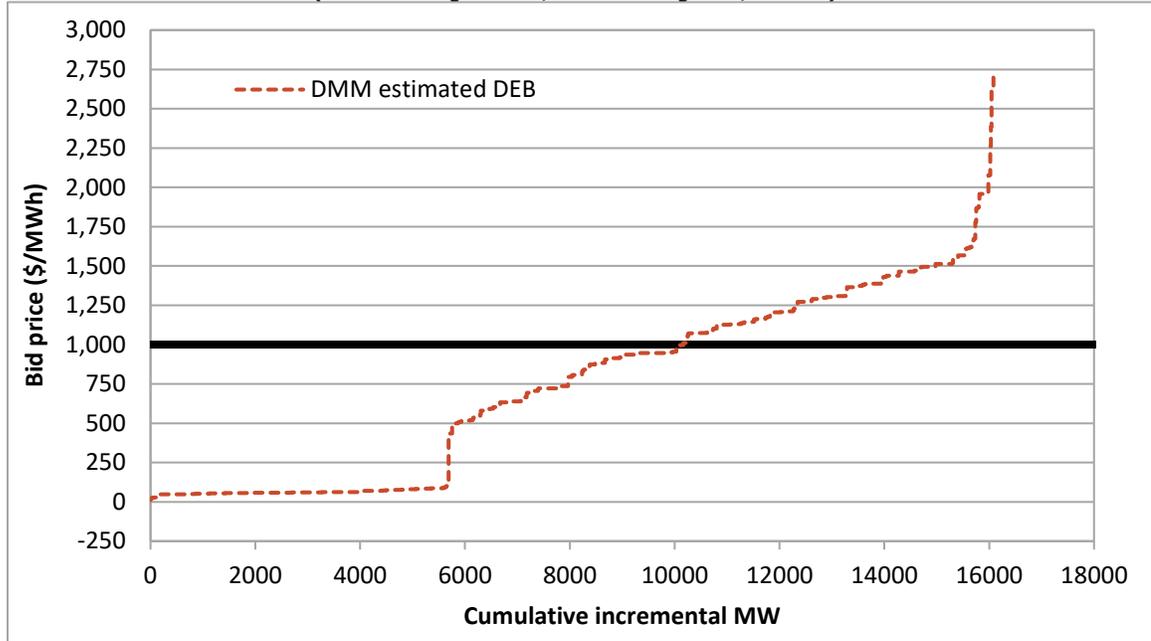
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<sup>2</sup> *Request to Accelerate Implementation of Previously Accepted Tariff Provision and Requests for Waiver of Notice Period, Forgoing of Comment Period or in the Alternative for a Shortened Comment Period, and Expedited Commission Order*, California Independent System Operator Corporation, Docket No. ER21-1164-000. ("Transmittal Letter").

after-the-fact if the resources are not able to recover these costs through the market.

It is just and reasonable for these revisions to go into effect on the day the CAISO filed, February 17, 2021. By February 17, gas prices at the hubs at which almost the entire fleet of dispatchable resources in southern California procure their fuel had spiked to historically high levels. As shown in Figure 1, DMM estimates that at the prevailing gas prices for February 15, 2021, the marginal costs for a very significant quantity of gas-fired capacity in southern California exceeded \$1,000/MWh. Because the CAISO tariff does not clearly allow after-the-fact recovery of energy costs over \$1,000/MWh, these resources may not be able to recover their full costs for providing power to CAISO on days with gas prices similar to those on February 15. Therefore, DMM supports the proposed minor tariff revisions going into effect on February 17, 2021.

**Figure 1. Estimated marginal energy costs for gas fired units  
(CAISO system, February 15, 2021)<sup>3</sup>**



<sup>3</sup> DMM calculated default energy bids are recalculated without enforcing the \$1,000/MWh price cap and thus include the 10 percent default energy bid adder.

**The CAISO should clarify that units can recover gas costs for operating at minimum load or further revise the tariff as needed.**

DMM also supports full recovery of actual gas costs for operating at minimum load when actual costs exceed minimum load bid caps. DMM requests that the CAISO clarify how such costs are recoverable under current tariff provisions or else further modify the tariff as needed to allow recovery of these costs under current gas market conditions.

**The CAISO filing should ensure that the revised tariff allows for recovery of costs over \$1,000/MWh incurred due to manual dispatches.**

DMM also supports full recovery of actual gas costs for responding to manual energy dispatches by grid operators (referred to as Exceptional Dispatches under the CAISO tariff). DMM requests that the CAISO clarify how such costs are recoverable under current tariff provisions or else further modify the tariff as needed to allow recovery of these costs under current gas market conditions.

In DMM's comments on the CAISO's initial filing for its Commitment Cost and Default Energy Bid Enhancements (CCDEBE) initiative, DMM noted that the proposed tariff provisions for cost recovery did not seem to include some Exceptional Dispatch energy which settled at Default Energy Bid reference levels.<sup>4</sup> In reply, the CAISO agreed and modified the final CCDEBE tariff provisions

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<sup>4</sup> *Motion to Intervene and Comments of the Department of Market Monitoring of the California Independent System Operator Corporation*, Docket No. ER20-2360, July 30, 2020, p. 8: <http://www.caiso.com/Documents/MotiontoInterveneandCommentsoftheDepartmentofMarketMonitoring-CCDEBE-Jul302020.pdf>

accordingly.<sup>5</sup> DMM believes similar modification may be warranted in the tariff provisions included in the CAISO's February 17 filing in this proceeding.

### III. CONCLUSION

DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

Respectfully submitted,

**/s/ Eric Hildebrandt**

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Independent Market Monitor for the California  
Independent System Operator

Dated: February 18, 2021

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<sup>5</sup> *California Independent System Operator Corporation Compliance Filing*, Docket No. ER20-2360-001, October 21, 2020:

<http://www.caiso.com/Documents/Oct21-2020-ComplianceFiling-CommitmentCostDefaultEnergyBidEnhancements-CCDEBE-ER20-2360.pdf>

## 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 18<sup>th</sup> day of February, 2021.

*/s/ Ryan Kurlinski*  
Ryan Kurlinski