UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	**)** **)**	**Docket No. ER16-1649-000**

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MOTION FOR LEAVE TO ANSWER AND ANSWER OF THE NRG COMPANIES

Pursuant to Rules 212 and 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (the "Commission"),[1] the NRG Companies[2] respectfully move for leave to answer[3] and answer the *Motion for Leave to Answer and Answer of the California Independent System Operator Corporation to Comments and Protests*, submitted by the California Independent System Operator Corporation ("CAISO") in the above-captioned proceeding on May 24, 2016 ("CAISO Answer").

I. ANSWER

The NRG Companies appreciate several of the changes the CAISO proposes to make in its Answer. However, this brief answer highlights one additional aspect of the CAISO's proposed system that does not appear to work: that is, the proposal to utilize the Business Practices Manual ("BPM") process prior to adjusting the "scalar" that governs the cap on generator recovery. All parties benefit when the cap on gas price recovery tracks real-time

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[1] 18 C.F.R. §§ 385.212, 385.213.

[2] For purposes of this filing, the NRG Companies are NRG Power Marketing LLC and GenOn Energy Management, LLC.

[3] Although the Commission's procedural rules do not allow for answers to answers or protests as a matter of right, the Commission regularly accepts otherwise impermissible answers where, as here, such answers will assist the Commission's understanding of the record and its decision-making. *See, e.g., California Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,155 at P 9 (2015); *Entergy Gulf States Louisiana, L.L.C.*, 153 FERC ¶ 61,153 at P 26 (2015); *Arizona Pub. Serv. Co.*, 153 FERC ¶ 61,157 at P 26 (2015).

movements in gas, and NRG respectfully suggests that reliance on the BPM is simply too slow to account for large swings in next-day and same-day gas markets or the declaration of Operational Flow Orders ("OFOs").

In its Answer, the CAISO explains for the first time that it intends to adjust the levels of the scalars *only after* consulting with its Department of Market Monitoring and vetting any proposed changes through the BPM change management stakeholder process:[4]

> Therefore, the CAISO reiterates that such increases would only occur after coordinating with DMM and carefully considering the market conditions present at the time. The CAISO will also modify its BPM to reflect the actual amount should an increase occur after coordination with the DMM and the CAISO will vet and support its proposed increase through its BPM stakeholder process.

As the Commission is aware, formal adjustments to a BPM process are too slow to capture dynamic market conditions effectively, which is going to be critical during the pendency of the Aliso Canyon outage.

As an example, if the Southern California Gas Company pipeline declares a Stage 3 OFO, generators would be assessed a $5.00/MMBtu charge for burning gas outside of a daily 15% tolerance band. Assuming gas prices in the $3.00 MMBtu range, the declaration of a Stage 3 OFO will result in generators facing real-time gas prices well beyond either the 75% scalar proposed for commitment costs or the 25% scalar proposed for default energy bids. Given that imposition of an OFO can happen within a given trading day, a process that calls for the CAISO to convene a stakeholder proceeding to allow the price caps to increase beyond 25% is simply not feasible.

Instead, the Commission should clarify that the CAISO should adjust the price caps via a market notice, and direct that such notices should be issued as soon as is practicable after observing a run up in same-day natural gas prices or imposition of a significant OFO cost.

[4] CAISO Answer at 9.

Failing to dynamically adjust the scalar in response to real-time conditions in the natural gas market can result in inefficient dispatch decisions that, at an extreme, could exacerbate gas shortage conditions and leave generators exposed to incurring gas procurement costs that cannot be collected through the California market design.

III. CONCLUSION

For the aforementioned reasons, the NRG Companies respectfully request that the Commission accept this Answer and require the CAISO to adjust the scalar to capture dynamic market conditions.

May 27, 2016

Respectfully submitted,

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Certificate Of Service

I hereby certify that I have served a copy of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Princeton, New Jersey this 27th day of May, 2016.

/s/_____