

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,

/s/ Abraham Silverman

Abraham Silverman

Cortney Madea

NRG Energy, Inc.

211 Carnegie Center

Princeton, NJ 08540

Attorneys for the NRG Companies

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/ _____