

125 FERC ¶ 61,384
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Suedeem G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

California Independent System Operator
Corporation

Docket No. ER09-169-000

ORDER ON CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION'S TARIFF AMENDMENTS

(Issued December 30, 2008)

1. In this order, the Commission responds to the amendment to the currently effective FERC Electric Tariff (currently effective Tariff) and to the Market Redesign and Technology Upgrade Tariff (MRTU Tariff) filed by the California Independent System Operator Corporation (CAISO) on October 29, 2008 (CAISO Filing). The Commission conditionally accepts the proposed tariff amendments, to be effective January 1, 2009 for its current tariff and upon MRTU implementation for the MRTU tariff sheets.

I. Background

A. Proposed Changes to the CAISO and MRTU Tariffs

2. The CAISO proposed tariff amendments to its currently effective Tariff and pending MRTU Tariff to address references to Reliability Coordinator and Reliability Criteria for Ancillary Services. Specifically, the CAISO proposes to amend its pending tariffs to reflect that, as of January 1, 2009, WECC intends to assume the role of Reliability Coordinator for the Western Interconnection. As such, the CAISO will no longer serve as the Reliability Coordinator for the California Mexico subregion of WECC.

3. In addition, the CAISO proposes to adopt more generalized references to reliability criteria for ancillary services, in anticipation of future changes to procurement

requirements. The CAISO also proposes to incorporate the latest version of business practice standards implemented by the Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB) to comply with Order No. 676-C.¹

4. Accordingly, the CAISO's proposed amendment: (1) deletes references to the CAISO as "Reliability Coordinator;"² (2) adopts more generalized references to the Reliability Criteria applicable to Ancillary Services procurement;³ and (3) incorporates the relevant NAESB WEQ standards.⁴

B. Relief Requested

5. The CAISO requests approval of its proposed changes to its currently effective and MRTU Tariffs, to be effective January 1, 2009 and January 31, 2009, respectively.⁵

6. The CAISO also requests waiver, pursuant to Section 35.11 of the Commission's regulations,⁶ of Section 35.3 of the Commission's regulations⁷ in order to permit the

¹ *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676-C, 73 Fed. Reg. 43,848 (July 29, 2008), FERC Stats. & Regs. ¶ 31,274 (2008) (Order No. 676-C).

² *See* California Independent System Operator Corp., October 29, 2008, Amendment to the Currently Effective CAISO Tariff and MRTU Tariff to Address References to Reliability Coordinator and Reliability Criteria for Ancillary Services, Docket No. ER09-169-000, at 3 (CAISO Filing).

³ *See id.* at 3-4.

⁴ *See id.* at 4-5 (citation omitted).

⁵ CAISO Filing at 5. The Commission notes that the CAISO requested a January 31, 2009 effective date for its revised MRTU Tariff sheets, which is one day prior to the CAISO's MRTU original implementation date of February 1, 2009. However, since the CAISO's filing, the MRTU implementation date has been postponed. The Commission emphasizes that the effective date of the CAISO's revised MRTU Tariff sheets must therefore change accordingly, so as to occur one day prior to the MRTU implementation date.

⁶ 18 C.F.R. § 35.11 (2008).

⁷ 18 C.F.R. § 35.3 (2008).

changes to the MRTU Tariff to become effective as of the MRTU implementation date, should implementation occur more than 120 days after the CAISO's tariff filing.⁸

II. Notices of Filing and Responsive Pleadings

7. Notice of the CAISO's tariff filing was published in the *Federal Register*, 73 Fed. Reg. 69,628 (2008), with interventions and protests due on or before November 19, 2008. The California Municipal Utilities Association, the Metropolitan Water District of Southern California, and Pacific Gas and Electric Company filed motions to intervene in this proceeding. The California Department of Water Resources State Water Project and Southern California Edison Company filed motions to intervene and comments. The Modesto Irrigation District filed a Motion to Intervene and Protest, and on December 4, 2008, the CAISO filed an Answer to Motions to Intervene, Protest and Comments.

III. Procedural Matters

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the timely unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

9. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a) (2008), prohibits an answer to a protest or to an answer unless otherwise ordered by the decisional authority. We find that good cause exists in this proceeding to allow the CAISO's answer because it aids us in our understanding of the issues raised.

IV. Proposals and Comments

A. Proposals that have not been Commented on or Protested by Intervenors

10. The CAISO's filing includes changes to its currently effective and MRTU Tariffs, including the deletion of references to the CAISO as the "Reliability Coordinator" and the incorporation of NAESB WEQ standards.

11. With regard to the latter, the Commission notes that the CAISO has also filed, in Docket No. ER08-1591-000, a separate petition for waiver of Order No. 676-C and

⁸ CAISO Filing at 6.

NAESB WEQ standards.⁹ The CAISO's revised tariff sheets for both its currently effective Tariff and its MRTU Tariff indicate that the CAISO has incorporated certain standards by reference and state that the CAISO has applied for waiver of certain other standards. We conditionally accept these tariff sheets and will address the CAISO's request for waiver in our order in Docket No. ER08-1591-000.

12. Finally, the Commission accepts those provisions submitted in the CAISO's tariff filing that are not specifically discussed below.

B. Protest and Comments

1. The Modesto Irrigation District

a. Protest

13. As applied to defining Ancillary Services, the Modesto Irrigation District (MID) considers the generalized term "Applicable Reliability Criteria" too vague.¹⁰ In particular, MID refers to the CAISO's revision of Section 8.2.3.2 of the currently effective Tariff:

The ISO shall maintain minimum contingency Operating Reserve made up of Spinning Reserve and Non-Spinning Reserve in accordance with Applicable Reliability Criteria ~~WECC MORC criteria equal to (a) 5% of the Demand (except the Demand covered by firm purchases from outside the ISO Control Area) to be met by Generation from hydroelectric resources plus 7% of the Demand (except the Demand covered by firm purchases from outside the ISO Control Area) to be met by Generation from other resources or (b) the single largest Contingency, if this is greater~~ ~~or (c)~~ by reference to such more stringent criteria as the ISO may determine from time to time.¹¹

14. MID states that the definition of "Applicable Reliability Criteria," refers to, among other things, "Local Reliability Criteria," which it defines as "Reliability Criteria

⁹ California Independent System Operator Corp., September 26, 2008, Petition for Waiver of Certain Business Practice Standards Adopted in Order No. 676-C, Docket No. ER08-1591-000 (CAISO Petition for Waiver).

¹⁰ See Modesto Irrigation District, November 19, 2008, Protest, Docket No. ER09-169-000, at 6 (MID Protest).

¹¹ *Id.* at 6.

established at the ISO Operations Date, unique to the transmission systems of each of the Participating [Transmission Owners].”¹²

15. However, MID claims that it does not know where to find documentation of such criteria at the CAISO’s start-up date and that this hampers market participants from complying with ancillary services requirements that rely on this language.¹³ MID therefore proposes that the CAISO replace the term “Applicable Reliability Criteria” with “NERC and WECC reliability standards, including any requirements of the NRC.”¹⁴

b. CAISO Answer

16. The CAISO answers that it does not seek to alter its current tariff authority, here, but simply to eliminate the need to amend its tariff whenever NERC or WECC modifies its Ancillary Services procurement requirements.¹⁵ Therefore, the CAISO states its willingness to adopt MID’s proposal and to make this change on compliance.¹⁶

c. Commission Determination

17. The Commission finds that the CAISO’s explanation adequately addresses MID’s concerns and that the proposed tariff changes are just and reasonable, subject to the CAISO making the changes discussed above on compliance.

2. Southern California Edison Company

a. Comments

18. Southern California Edison Company (SoCal Edison) notes that the CAISO has proposed to make the following changes to Section 7.2 of its Tariff, concerning Operating Reliability Criteria:

The CAISO shall exercise Operational Control over the CAISO Controlled Grid in compliance with all Applicable Reliability Criteria. The Applicable Reliability Criteria are the standards established by NERC, WECC and Local Reliability Criteria and include the requirements of the Nuclear

¹² *See id.*

¹³ *See id.* MID also contends that this situation subjects the definition of ancillary services to the unilateral interpretation of Participating Transmission Owners, which could provide unverifiable interpretations to their own advantage. *See id.* at 7.

¹⁴ *See id.* at 7.

¹⁵ *See* California Independent System Operator Corp., December 4, 2008, Answer, Docket No. ER09-169-000, at 3 (CAISO Answer).

¹⁶ *See id.* at 3-4.

Regulatory Commission (NRC) all as modified from time to time. **The CAISO may direct activities as appropriate to curtail Schedules, dispatch Generation or impose transfer limitations as necessary to relieve grid congestions, mitigate potential overloads or eliminate operation outside of existing Nomogram criteria.**¹⁷

19. SoCal Edison considers this proposed revision vague and erroneous¹⁸ and proposes instead to tie Section 7.2 more directly to the definition of Nomogram, which describes a set of rules designed to ensure respect for simultaneous operating limits and to meet NERC and WECC Reliability Standards and operating criteria.¹⁹ Specifically, SoCal Edison proposes the following:

The CAISO shall exercise Operational Control over the CAISO Controlled Grid in compliance with all Applicable Reliability Criteria **and to meet operating criteria.** ~~The Applicable Reliability Criteria are the standards established by NERC, WECC and Local Reliability Criteria and include the requirements of the Nuclear Regulatory Commission (NRC) all as modified from time to time. The CAISO may direct activities as appropriate to curtail Schedules, dispatch Generation or impose transfer limitations as necessary to relieve grid congestions, mitigate potential overloads or eliminate operation outside of existing Nomogram criteria.~~²⁰

20. In addition, SoCal Edison opposes the CAISO's proposal to delete from Section 8.2.1 the requirement that reasonableness and cost effectiveness be considered in the development of Ancillary Services standards:

The CAISO shall set the required standard for each Ancillary Service necessary to maintain the reliable operation of the CAISO Controlled Grid. Ancillary Services standards shall be based on **Applicable Reliability Criteria** ~~WECC Minimum Operating Reliability Criteria (MORC), NERC and CAISO Controlled Grid reliability requirements. The CAISO, in conjunction with the relevant reliability council (WECC), shall develop these Ancillary Services standards to determine reasonableness, cost~~

¹⁷ Southern California Edison Co., November 19, 2008, Comments, Docket No. ER09-169-000, at 2 (SoCal Edison Comments).

¹⁸ *Id.*

¹⁹ *See id.* at 3.

²⁰ *Id.*

effectiveness, and adherence to NERC and WECC standards. The standards developed by the CAISO shall be used as a basis for determining the quantity and type of each Ancillary Service which the CAISO requires to be available. These requirements and standards apply to all Ancillary Services whether self-provided or procured by the CAISO.²¹

SoCal Edison deems reasonableness and cost effectiveness vital to the viability and reasonableness of Ancillary Services standards and it considers this revision unnecessary to align the CAISO tariff with WECC and NERC criteria.²²

b. CAISO Answer

21. With regard to Section 7.2, the CAISO answers that SoCal Edison bases its comments on draft tariff language, which was discussed as part of the CAISO's stakeholder review process but which is not part of the CAISO's tariff filing.²³ SoCal Edison has conferred with the CAISO and has agreed to withdraw its protest on this point.²⁴ As to Section 8.2.1, the CAISO believes it unnecessary to maintain this language in the Tariff but has no objection to retaining it to assuage SoCal Edison's concerns.²⁵ The CAISO states that it will make this change on compliance.²⁶

c. Commission Determination

22. The Commission finds that the CAISO's explanations adequately address SoCal Edison's comments, and that the proposed revisions are just and reasonable, subject to the CAISO making the change discussed above on compliance.

3. The California Department of Water Resources State Water Project

a. Comments

23. The California Department of Water Resources State Water Project (SWP) claims that the MRTU Tariff fails to offer any mechanism to compensate Participating Load for

²¹ *See id.* at 3-4.

²² SoCal Edison Comments at 4.

²³ CAISO Answer at 2.

²⁴ *Id.* at 3.

²⁵ *Id.*

²⁶ *Id.*

the potential provision of Voltage Support.²⁷ SWP observes that the MRTU Tariff confers on the CAISO broad authority to order Exceptional Dispatch to provide Voltage Support beyond that covered under its Existing Transmission Contract with PG&E²⁸ and without compensation under the MRTU Tariff.²⁹ Legally, SWP argues that this situation conflicts with Congressional intent to encourage demand response³⁰ and with Order 719, which provides that demand response resources must be treated comparably to other resources.³¹

24. SWP therefore requests that the Commission order the CAISO to amend the MRTU Tariff to clarify that either (1) SWP's Participating Load will not be called on to provide Voltage Support, during an Exceptional Dispatch or otherwise; or (2) SWP will be compensated comparably to generating units, as described in the MRTU Tariff, should SWP's Participating Load be called upon to provide such support.³²

b. CAISO Answer

25. In its answer, the CAISO states that SWP's comments are beyond the scope of this proceeding, which concerns only the CAISO's proposed revisions, which address the criteria the CAISO will use to procure Ancillary Services, and not what resources qualify for Ancillary Services or compensation.³³ Therefore, the CAISO urges the Commission to reject SWP's request.³⁴

²⁷ See California Department of Water Resources State Water Project, November 19, 2008, Comments, Docket No. ER09-169-000, at 1 (SWP Comments).

²⁸ See *id.* at 1-2.

²⁹ *Id.*

³⁰ *Id.* at 3.

³¹ SWP Comments at 2-3 (citing *Wholesale Competition in Regions With Organized Electric Markets*, Order No. 719, 73 Fed. Reg. 64,100 (Oct. 28, 2008), FERC Stats. & Regs. ¶ 31,281 (2008)).

³² *Id.* at 3.

³³ See *id.* at 4.

³⁴ *Id.* The CAISO notes further that SWP will not receive treatment different from that given to generating units under the MRTU, since the voltage support provisions of the currently effective and MRTU tariffs are the same. Specifically, under both tariffs, the CAISO states that resources will be compensated for Energy when Energy is needed for voltage support. See *id.* n.8. The CAISO also states that it adopted no new policies on this subject in stakeholder discussions. *Id.*

c. **Commission Determination**

26. We agree with the CAISO that these concerns are all beyond the scope of this proceeding. We therefore deny SWP's requested relief.

V. **Waiver Request**

27. In the event that MRTU is implemented more than 120 days after submission of the CAISO's filing, the CAISO requests waiver of Section 35.3 of the Commission's regulations,³⁵ pursuant to Section 35.11 of the Commission's regulations,³⁶ to permit the above changes to the MRTU Tariff to become effective as of that implementation date.³⁷ The CAISO asserts that granting this waiver would prove consistent with similar waivers of Section 35.3 granted by the Commission in other MRTU-related proceedings.³⁸

28. We will grant waiver of Section 35.3 of the Commission regulations and direct the CAISO to make an informational filing specifying the effective dates of the tariff sheets being accepted herein prior to the implementation of MRTU.

The Commission orders:

(A) The CAISO's revised tariff sheets for its currently effective Tariff are hereby accepted, effective January 1, 2009, as modified, subject to the required compliance filing, as discussed in the body of this order.

(B) The CAISO's revised tariff sheets for its MRTU Tariff are hereby accepted, effective one day prior to implementation of MRTU, as modified, subject to the required compliance filing, as discussed in the body of this order.

(C) The CAISO is hereby directed to submit compliance filings, within 30 days from the date of issuance of this order, as discussed in the body of this order. In order to ensure that any comments regarding the compliance filing are received prior to the implementation of MRTU, we direct that any comments to the compliance filing be filed within 15 days of the date of the compliance filing.

³⁵ 18 C.F.R. § 35.3.

³⁶ 18 C.F.R. § 35.11.

³⁷ CAISO Filing at 6.

³⁸ *Id.*

(D) We direct the CAISO to make an informational filing specifying the effective date of the tariff sheets related to its MRTU Tariff being accepted herein prior to the implementation of MRTU.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.