132 FERC ¶ 61,087
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

California Independent System Operator Corporation — Docket No. ER10-1360-000

# ORDER ACCEPTING TARIFF REVISIONS AND ACCEPTING AND SUSPENDING TARIFF REVISIONS ON MULTI-STAGE GENERATING RESOURCE MODELING PROPOSAL

(Issued July 30, 2010)

1. In this order, the Commission accepts proposed tariff revisions submitted by the California Independent System Operator Corporation (CAISO) for resources that intend to register, qualify and participate in the CAISO's Multi-Stage Generating Resource Modeling proposal.[1] As discussed below, those tariff revisions proposed in Appendix AA, and the tariff revisions containing the registration and qualification requirements are accepted, to become effective August 2, 2010 and October 1, 2010, as requested. Also, the Commission accepts the remaining proposed tariff revisions concerning implementation of the Multi-Stage Generating Resource Modeling proposal and suspends them for a nominal period, to become effective October 1, 2010, subject to refund, compliance filing, and further Commission order.

## I. Background

2. Prior to the implementation of the CAISO's Market Redesign and Technology Upgrade (MRTU) tariff, the CAISO modeled combined-cycle units as composite resources. The CAISO explains that the current modeling software only allowed for the consideration of one generator and could not recognize different generator operating characteristics. The CAISO states that, during the development of MRTU, it recognized that improvements in its market design were necessary to model combined-cycle units. It therefore explored changes to its modeling approach to allow combined-cycle units to be modeled as separate generation resources under each configuration. However, after

[1] A Multi-Stage Generating Resource refers to a generator that can operate in one of several mutually exclusive operating modes or "configurations." CAISO Tariff, proposed Appendix A.

consultation with its software vendor, the CAISO concluded that the necessary modeling approach was too complex to implement in conjunction with Release 1 of MRTU. Accordingly, the CAISO proposed for the start-up of MRTU, to continue modeling resources with multiple operating modes as composite resources under a single resource identification number.

3. In accepting the MRTU tariff, the Commission recognized that significant market benefits could be realized by developing models that accurately consider the operating characteristics and costs associated with combined-cycle generators and directed the CAISO to work with its software vendors to develop an application that would accurately detail the characteristics of combined-cycle units.[2] The Commission directed the CAISO to file a proposal for review no later than MRTU Release 2.[3] When the Commission provided this additional time, the CAISO's MRTU proposal contained a Forbidden Operating Region functionality[4] that would provide greater accuracy when modeling generation that could not consistently provide generation within a certain operating range and thus could only be scheduled to ramp through that range.[5] This automated functionality was to be incorporated into both the day-ahead and real-time markets to ensure that units with Forbidden Operating Regions are ramped completely through the region. Prior to implementing MRTU, however, the CAISO requested to defer the Forbidden Operating Region functionality for the real-time market due to software performance and stability issues that created infeasible optimization solutions.

4. The Commission accepted the CAISO's request to defer the Forbidden Operating Region functionality and accepted the CAISO's commitment to develop the Multi-Stage Generating Resource Modeling proposal within six to nine months following the start of its new market design.[6] The Multi-Stage Generating Resource Modeling proposal would provide additional flexibility that could apply to Forbidden Operating Region resources.

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[2] *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at P 573 (2006) (September 2006 Order).

[3] Release 2 was scheduled to occur no later than three years following the implementation of Release 1. *Id*. P 33.

[4] A Forbidden Operating Region is a range of megawatt output through which, as a result of its physical characteristics, a resource can pass through, but within which it cannot stably operate. *Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,150, at P 104 n.173 (2009).

[5] *Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,081, at P 28-30 (2009) (January 2009 Order).

[6] January 2009 Order, 126 FERC ¶ 61,081 at P 29-30.

Multi-Stage Generating Resource modeling would address the operating characteristics of certain resources, which would enable the CAISO to reduce its use of exceptional dispatch.[7] The CAISO subsequently implemented the deferred Forbidden Operating Region functionality for its real-time market on April 15, 2010.[8]

5. The CAISO's MRTU tariff became effective on April 1, 2009, and although its current real-time and day-ahead market software accounts for registered Forbidden Operating Region operating characteristics, so that Multi-Stage Generating Resources are feasibly scheduled or dispatched, the CAISO states that its inability to effectively capture Multi-Stage Generating Resource characteristics means that its optimization software cannot take advantage of their inherent flexibility. This may result in suboptimal dispatch.[9] Another consequence of its inability to model resource characteristics is that operators of such resources limit the flexibility they offer into the market in order to protect against uneconomic or infeasible dispatch.[10]

6. To remedy this issue, the CAISO proposes an amendment to its tariff to incorporate new market rules that support the implementation of Multi-Stage Generating Resource modeling. The CAISO states that with its proposal, the current use of exceptional dispatch by the CAISO to prevent infeasible dispatches will decrease; scheduling coordinators will be able to reduce the use of the CAISO's outage reporting procedures to manage the operation of the multiple operating modes of such resources;[11] the CAISO will be able to better account for the full range of operational capabilities offered by the generation fleet; the CAISO will be able to consider various operating configurations[12] in the optimal dispatch; and the CAISO will be able to compensate

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[7] *Id*.

[8] *See Cal. Indep. Sys. Operator Corp.*, Docket No. ER10-775-000 (April 8, 2010) (unpublished letter order).

[9] *See* Transmittal Letter at 8.

[10] *Id*.

[11] Scheduling coordinators for Multi-Stage Generating Resources have to make use of the CAISO's outage reporting process to ensure that the dispatch of such resources respects the operating characteristics posed in having to transition from one configuration to another. *Id*. at 8.

[12] A resource moves to a higher or lower operating range when a constituent generator or additional auxiliary equipment is placed on-line or is taken off-line, and each distinct operating range is referred to as a configuration. *Id.* at 3.

resources fairly for costs incurred for the transition from one operating mode to another.[13] The CAISO states that the new functionality creates an opportunity to lower system energy costs and more efficiently and economically use Multi-Stage Generating Resources by more accurately modeling their flexibility.[14]

## II. The Multi-Stage Generating Resource Modeling Proposal

7. The CAISO states that its proposal is designed for generation resources with multiple configurations, such as combined-cycle units.[15] The CAISO explains that this proposal is designed for generation resources only, because when the CAISO began designing this modeling approach, it was to comply with the directive in the September 2006 Order and the January 2009 Order, requiring the CAISO to develop a methodology to better model combined-cycle units. With additional market rules and software development, the CAISO states that the modeling approach may be extended in the future to other types of resources, such as pumped storage hydro and other energy storage facilities.[16]

8. Under the proposal, each configuration is treated as a distinct generating plant whose operation is mutually exclusive of the other configurations. Scheduling coordinators may bid-in these different configurations simultaneously, and the CAISO's market clearing process would dispatch the optimal configuration and operating level for the resource in the trading hour. Multi-Stage Generating Resources will, therefore, be able to submit economic bids for energy, residual unit commitment capacity, and ancillary services in the CAISO markets.[17]

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[13] *Id.* at 9.

[14] *Id*. at 8.

[15] This includes external generating resources that are dynamically scheduled into the CAISO balancing authority area that are modeled as resource specific system resources. *Id.* at 10.

[16] The CAISO states that it is exploring through a new stakeholder process the interest in and feasibility of adapting the Multi-Stage Generating Resource modeling proposal approach for modeling pumped storage hydro facilities. *See* Transmittal Letter at 39; *see also* CAISO Application Attachment ISO-3 at 20-21 (Testimony of Hani Alarian).

[17] Those Multi-Stage Generating Resources that intend to provide ancillary services must be certified to provide ancillary services for each configuration from which they intends to provide ancillary services. *See* Transmittal Letter at 27.

9. The CAISO states that its optimization process ensures that the dispatch of Multi-Stage Generating Resources is consistent with their operating characteristics and that resources are not dispatched at infeasible levels. The CAISO proposes to modify bid validation rules to ensure that scheduling coordinators submit bid sets that contain feasible transitions between configurations. The CAISO also states that its optimization process ensures that two configurations are not dispatched simultaneously in a given CAISO market.

### A. Registration and Qualification Process

10. Prior to implementing the proposal, the CAISO proposes to conduct an early registration and qualification process under proposed Appendix AA of its tariff. Scheduling coordinators that intend to have resources modeled as Multi-Stage Generating Resources upon implementation of the program must register early under this process.

11. Any generating unit or dynamic resource-specific system resource can apply.[18] As part of the registration process, the scheduling coordinator must submit operating characteristics of available configurations and a transition matrix for the resource that details transition costs and operating characteristics. Scheduling coordinators must establish the configuration of the resource. Generating resources that are subject to resource adequacy must-offer obligations are required to specify a default resource-adequacy path that allows the resource to comply with its obligation. The scheduling coordinator may register the number of configurations that is appropriate for the resource based on its operational and technical characteristics, but it may not register more than ten configurations.[19] The registered information will be reflected in the CAISO's Master File, which is a comprehensive database maintained by the CAISO that contains information regarding generating units, loads and other resources.[20] The CAISO also proposes similar post-implementation registration and qualification procedures for Multi-Stage Generating Resources.[21]

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[18] Generating units are internal generating resources that have already established a Participating Generator Agreement with the CAISO. Dynamic resource-specific system resources are those resources located outside of the CAISO that can be dynamically scheduled and are registered with the CAISO through a dynamic scheduling agreement and a resource-specific system resource agreement. *See* CAISO Tariff, Appendix A.

[19] Transmittal Letter 14-15.

[20] *See* CAISO Tariff, Appendix A.

[21] *See* Transmittal Letter at 13-18 (citing CAISO Tariff, proposed section 27.8).

12. The early registration and qualification process contains a registration timeline to provide the CAISO adequate time to register resources and to ensure certainty regarding the nature of the resources that will participate upon implementation of the program. Under that timeline, scheduling coordinators that intend to register and qualify resources as Multi-Stage Generating Resources for the first day the program is in effect, must begin the registration process at least 60 days prior to implementation. Also, the CAISO proposes that no other resources can register for the program until 45 days following implementation. The CAISO adds that configurations and operational characteristics submitted to and accepted by the CAISO during the early registration process must remain in effect for a minimum of 45 days following implementation.[22] Once the proposal is running, the CAISO proposes only a 16 day period to register and qualify to participate.[23]

13. To prepare for the transition to market operations with this new modeling approach, the CAISO requests that tariff provisions describing the early registration and qualification process included in Appendix AA to its tariff become effective on August 2, 2010. The CAISO requests that its post-implementation registration and qualification tariff provisions become effective on October 1, 2010.

### B. Bidding Rules and Bidding Validation

14. Under the proposal, scheduling coordinators may submit bids in the CAISO markets for each Multi-Stage Generating Resource registered configuration.[24] Each configuration bid into the CAISO market must be feasible for the hour in which it is bid. Scheduling coordinators will be permitted to submit economic bids or self-schedules for up to ten different configurations in the day-ahead market (but only one self-schedule per configuration, per interval). In the real-time market, scheduling coordinators will be permitted to bid up to three configurations in addition to those committed in the day-ahead market. A scheduling coordinator's real-time market bid for a Multi-Stage

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[22] The CAISO will permit certain changes to registered values related to configurations 45 days and 110 days following the implementation date. *See* CAISO Application, Attachment ISO-2 at 16-17 (Testimony of Zhou); *see also* CAISO Tariff, proposed Appendix AA.

[23] Transmittal Letter at 15; *see also* CAISO Tariff, proposed sections 27.8.1, 27.8.2, 27.8.3 (allowing for changes to resource attributes every 60 days after the program has run for 110 days).

[24] Scheduling coordinators will submit the individual bidding components for each configuration ID number along with the Resource ID number. The configuration ID will enable the CAISO to associate and process all bids and self-schedules with the specific configuration submitted to participate in the CAISO market. *See* Transmittal Letter at 19.

Generating Resource must properly reflect its commitments in the day-ahead market, including any ancillary service or residual unit commitment capacity awards, and must fulfill the resource's must offer obligations.

15. The CAISO also proposes bid validation rules for Multi-Stage Generating Resources to ensure that the bids submitted fulfill the feasibility requirements, resource adequacy requirements, and the bidding rules.[25] Under the proposal, the CAISO has the ability to insert a proxy bid in the event that a scheduling coordinator does not submit a bid for a Multi-Stage Generating Resource with a resource adequacy must-offer obligation or submits a bid that only partially satisfies its obligation. The CAISO will make similar adjustments to ensure the Multi-Stage Generating Resource complies with its residual unit commitment obligations.

16. Also, the CAISO will validate that the combination of the Multi-Stage Generating Resource's ancillary services scheduling is feasible and will reject any ancillary services bids or self-provide submissions that are not from certified Multi-Stage Generating Resources configurations. For any Multi-Stage Generating Resource, if a resource configuration bid fails the validation process, all other bids from all other configurations from that resource will be invalidated. Similarly, if the CAISO determines that a Multi-Stage Generating Resource configuration was not able to fulfill its awarded ancillary service residual unit commitment, the CAISO will rescind any payments owed for the service. Also, under the proposal, the CAISO will apply automated local market power mitigation at the configuration level for Multi-Stage Generating Resources.

### C. CAISO Market Commitment Costs

17. The CAISO tariff's currently effective provisions allow for the recovery of commitment and bid costs. Under the tariff, scheduling coordinators submit commitment and bid costs for the various CAISO markets and are permitted to recover those costs through the CAISO should market revenues not adequately compensate them.[26] In the instant filing, the CAISO proposes to allow for the recovery of Multi-Stage Generating Resource commitment costs through the existing bid cost recovery mechanism.

18. Under the proposal, scheduling coordinators submit start-up and minimum-load costs by configuration. In the optimization process, Multi-Stage Generating Resources may be committed in various markets under different configurations.[27] However,

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[25] Transmittal Letter at 29 (citing CAISO Tariff, proposed section 30.7.3.5).

[26] *Id*. at 33.

[27] For example, in a given trading hour, a resource may be committed to one configuration in the real-time market and a different configuration in the day-ahead market. *Id*. at 21, 29.

commitment costs are based on a single configuration for a given settlement interval. So, the CAISO proposes a set of rules to determine which configuration's registered start-up and minimum load costs will be controlling for the purpose of recovering those costs.

19. In addition, scheduling coordinators will be permitted to submit transition costs to recover the costs of transitioning from one configuration to another but the CAISO does not have a complete proposal for determining how the transition cost will be formulated.[28] The CAISO explains that in determining the optimal configuration in which the resource should operate, each transition will have an associated transition cost, which will be considered when determining whether or not to move a Multi-Stage Generating Resource from one configuration to another.[29]

20. The CAISO states that it has not completed the stakeholder process concerning how transition costs will be determined. Therefore, the CAISO states that it has not proposed tariff changes addressing transition costs at this time.[30] The CAISO represents that it has established, through the stakeholder process, that the transition costs will be included as other commitment costs, such as start-up and minimum load, for the purpose of determining eligibility for bid cost recovery. According to the CAISO, elements of transition costs that are currently under consideration in the stakeholder process are not expected to alter the transition costs elements that CAISO is seeking approval of in this filing. As such, the CAISO states that delaying the instant filing until the completion of the transition costs stakeholder process is not necessary.

21. The CAISO requests that the tariff revisions, except for those concerning early registration and qualification, be made effective as of October 1, 2010. The CAISO states that on September 30, 2010 it plans to operate the day-ahead market for the October 1, 2010 trading day with the Multi-Stage Generating Resources functionality in place and to include the real-time market.

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[28] *Id*. at 37.

[29] The CAISO also states that it will use the currently effective bid cost recovery mechanism for the recovery of transition costs, as it does currently for start-up and minimum-load costs. The CAISO will consider transition costs in the clearing of these markets as reflected in proposed tariff sections 31.3, 31.5, 34.

[30] The CAISO anticipates that the stakeholder process will have concluded in July 2010 at which time the proposal will be considered by the CAISO's Board of Governors. The CAISO states upon approval, additional tariff amendments will be filed with the Commission. *See* Transmittal Letter at 37.

## II. Notice of Filing and Responsive Pleadings

22. Notice of the CAISO's filing was published in the *Federal Register*, 75 Fed. Reg. 32,937 (2010), with comments, protests, or interventions due on or before June 18, 2010. Notices of intervention, timely motions to intervene, and comments were filed by California Department of Water Resources State Water Project (SWP), Southern California Edison Company (SCE), Northern California Power Agency, Pacific Gas and Electric Company, the California Public Utilities Commission, City of Santa Clara, California, M-S-R Public Power Agency, Modesto Irrigation District, Dynegy Morro Bay, LLC. On July 4, 2010, the CAISO filed an answer to the comments.

## III. Discussion

### A. Procedural Matters

23. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

24. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2010), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept the CAISO's answer filed in this proceeding because it provided information that assisted us in our decision-making process.

### B. Substantive Matters

#### Protests and Comments

25. SCE states that the filed tariff language is incomplete because it does not include the transition costs methodology. Specifically, SCE states that the eligibility rules for recovery of transition costs are not included in the proposed tariff provisions, and mitigation rules, which apply to transition costs, are not included. SCE contends that these rules are essential components of the overall proposal and are necessary to prevent economic withholding of certain configurations from the market.

26. SCE acknowledges that the CAISO is currently working through a stakeholder process to finalize rules regarding transition costs and bid cost recovery; however, until the stakeholder process is complete and final rules are filed with the Commission, SCE maintains that it cannot provide final comments. SCE requests that the Commission provide it and other market participants, opportunity to file comments on any bid cost recovery tariff modifications when the CAISO files the transition costs rules with the Commission.

27. SCE also notes that the timing of the CAISO's future filing on Multi-Stage Generating Resource transition costs could have a negative impact on the implementation date of the overall proposal because any changes required by the Commission may not be processed by the CAISO and stakeholders in time for an October 1, 2010 implementation date. SCE states that it would support Commission actions that expedite related CAISO filings.

28. SCE also claims that the existing bid cost recovery rules applied to Multi-Stage Generating Resources could undervalue unit revenues, which could result in overpayment to generators when a resource is dispatched in real-time at a level that is lower than the day-ahead market commitment. SCE contends that profits received from the purchase of replacement energy, when the real-time price is lower than the day-ahead price, are not recognized in the bid cost recovery calculation and therefore will not be considered when determining if the Multi-Stage Generating Resource's costs were recovered for the given trading day. SCE cites an example where a hypothetical generator is awarded bid cost recovery for its minimum load costs despite the fact that its profits for replacement energy exceed its losses due to minimum load costs.

29. SCE argues that the bid cost recovery rules should be modified to recognize any replacement energy profits a Multi-Stage Generating Resource makes when the resource is scheduled in real-time in a configuration level below its day-ahead award. SCE requests that the Commission instruct the CAISO to modify its proposal to ensure that such overpayments do not occur.

30. SWP requests a Commission determination that acceptance of tariff language in this docket will not prejudice or predetermine the application of Multi-Stage Generating Resource modeling for pumps and/or pumped storage operations in any future filing by the CAISO.

**CAISO Answer**

31. In its answer, the CAISO states that it is still finalizing the details of the rules surrounding transition costs in a stakeholder process. The CAISO notes that there is no significant opposition to the proposal and argues that there is no need to extend the comment period in the instant filing. The CAISO states that details regarding the determination and mitigation of transition costs will be part of a separate Federal Power Act section 205 filing.[31] The CAISO contends that it structured the instant filing so that there would be no overlap between this filing and the upcoming transition cost filing.

32. The CAISO maintains that in the instant filing it is only proposing that the transition costs recovery mechanism be incorporated into the bid cost recovery

[31] 16 U.S.C. § 824d (2006).

mechanism, that transition costs be included as an informational requirement for Multi-Stage Generating Resources, and that transition costs be considered in the CAISO markets and processes. The CAISO argues that none of these changes will be altered by the upcoming filing, and that SCE fails to provide any indication of how the determination of transition costs could impact the instant filing. The CAISO argues that the Commission should therefore accept the proposed amendments and rule on the transition cost determination and mitigation proposal when it is filed by the CAISO.

33. The CAISO also supports SCE's recommendation for any necessary actions to expedite filings related to transition costs. The CAISO states that it will request an effective date of October 1, 2010 for the transition cost filing, with a need for an order at least two weeks before the implementation date, so the CAISO may consider the impacts of any changes to its implementation schedule.

34. In response to SCE's concerns regarding potential overpayment to Multi-Stage Generating Resources, the CAISO argues that SCE's concerns are due to existing tariff rules that require financial settlement of the day-ahead market, and compensation for bid costs based on delivered, rather than scheduled energy. The CAISO argues that these rules are long standing principles of the bid cost recovery mechanism that should not be modified. The CAISO maintains that any special alteration of the bid cost recovery rules for Multi-Stage Generating Resources would result in undue discrimination. Further, the CAISO argues that any change to the underlying bid cost recovery mechanism would require a stakeholder process to properly consider the interests of all parties, and would derail the CAISO's plan to implement the multi-stage generator tariff provisions in October 2010.

## Commission Determination

35. The Commission finds the CAISO's registration processes for Multi-Stage Generating Resources contained in tariff sections 27.8.1, 27.8.2, 27.8.3 and Appendix AA to be just and reasonable. The registration provisions will allow the CAISO to collect necessary information on the operational parameters of resources seeking to participate as Multi-Stage Generating Resources in the CAISO markets upon implementation of the new Multi-Stage Generating Resource Modeling proposal. Allowing the CAISO to conduct this process and collect this information prior to implementation will facilitate an efficient and timely transition. Accordingly, we accept the tariff provisions contained in Appendix AA to become effective on August 2, 2010, as requested. Additionally, for those tariff provisions that relate strictly to post implementation, registration, and qualification, we accept those tariff provisions effective October 1, 2010. We note that the CAISO should file these tariff provisions as a

compliance filing within 30 days of the date of the issuance of this order with the applicable effective dates through the eTariff portal for inclusion in its electronic tariff. [32]

36. The Commission finds that the Multi-Stage Generating Resource Modeling proposal complies with our prior directive in the September 2006 Order to develop modeling software that accurately reflects the operating characteristics of combined-cycle units.[33] The Commission finds that the process undertaken by the CAISO and stakeholders forms the basis for a workable and effective Multi-Stage Generating Resource Modeling program. The Commission also agrees with the CAISO that its proposal will allow the CAISO to better account for the operational capability of the generation that participates in the CAISO market. More efficient dispatch of these Multi-Stage Generating Resources can also improve market efficiency by reducing the need for exceptional dispatch. We also find that the general principles the CAISO has outlined in its proposed tariff sections with regard to transition costs for Multi-Stage Generating Resources appear to be consistent with the CAISO's treatment of other resources.

37. However, we find that the functionality of the CAISO's proposal is incomplete because the tariff does not explain how the CAISO will formulate the transition cost by configuration. According to the CAISO, each transition has an associated cost, which the market optimization will consider when determining whether to move a Multi-Stage Generating Resource from one configuration to another. The registration processes for Multi-Stage Generating Resources, which we approve here, provide for scheduling coordinators to submit a matrix detailing the operating characteristics associated with feasible transitions between configurations and the associated costs. However, the CAISO has not submitted details regarding how it will process and validate these transition costs before they are used as inputs into the CAISO markets. Nor, as noted in the CAISO's Transmittal Letter, has the CAISO addressed in the instant filing how it will ensure that scheduling coordinators cannot economically withhold a resource's configuration from the market by specifying high transition costs.[34] The CAISO has indicated that it will address concerns about economic withholding in its transition cost filing.[35] However, without the submission of the transition cost methodology, the

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[32] These tariff revisions were not included in the CAISO's baseline electronic tariff, since these revisions were pending at the time the CAISO filed that tariff. As such, the CAISO must now file these tariff sections through the eTariff portal. *See Electronic Tariff Filings*, Order No. 714, FERC Stats. & Regs. ¶ 31,276, at P 96 (2008).

[33] September 2006 Order, 116 FERC ¶ at P 573.

[34] *See* Transmittal Letter at 37.

[35] We note that the CAISO has filed its proposal regarding transition costs in Docket No. ER10-2056-000.

functionality of the CAISO's proposal, outside of its registration provisions, is incomplete and, therefore, has not yet been shown to be just and reasonable.

38. In order to consider the CAISO's proposal on transition costs, we accept the remaining tariff revisions addressing the Multi-Stage Generating Resource Modeling proposal, and suspend them for a nominal period, to become effective on October 1, 2010, subject to refund, compliance filing, and further Commission order in this proceeding. We note that the CAISO should file these tariff provisions as a compliance filing within 30 days of the date of the issuance of this order with the applicable effective dates through the eTariff portal for inclusion in its electronic tariff. [36]

39. The Commission agrees with the CAISO that concerns raised by SCE regarding the potential undercounting of revenues resulting from differences in the day-ahead market scheduled energy costs and the real-time market delivered energy prices are not the result of the tariff revisions submitted in the instant filing, but are the result of an existing feature of the CAISO's currently effective bid cost recovery mechanism. As both the CAISO and SCE note,[37] the situation described by SCE is not unique to Multi-Stage Generating Resources. Accordingly, we find SCE's request to re-examine the calculation of market revenues under the CAISO's existing bid cost recovery mechanism is beyond the scope of this proceeding.

40. With regard to SWP's concern about the expansion of multi-stage modeling to pumped storage plants, the Commission will consider the reasonableness of future modeling proposals based on the individual proposal. The Commission's approval of modeling procedures for one set of resources should not be construed as an approval of those modeling procedures for all types of resources.

The Commission orders:

(A) The CAISO's tariff provisions in Appendix AA and tariff sections 27.8.1, 27.8.2, and 27.8.3 addressing registration and qualifications for those resources who seek to participate in the Multi-Stage Generating Resources Modeling proposal are hereby accepted for filing, effective August 2, 2010 and October 1, 2010 as discussed in the body of the order;

(B) The CAISO's proposed remaining tariff revisions to implement its Multi-Stage Generating Resource Modeling proposal are hereby accepted for filing and

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[36] *See Electronic Tariff Filings*, Order No. 714, FERC Stats. & Regs. ¶ 31,276, at P 96 (2008).

[37] CAISO Answer at 6-9; SCE Comments at 5 n.5.

suspended for a nominal time, to become effective on October 1, 2010, subject to refund and further Commission order, as discussed in the body of this order;

(C) The CAISO is hereby directed to make a compliance filing to incorporate these tariff provisions under the E-tariff portal, within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,
Deputy Secretary.