

129 FERC ¶ 61,196  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
and Philip D. Moeller.

California Independent System Operator Corporation      Docket Nos. ER06-615-047  
ER07-1257-011

ORDER ON COMPLIANCE FILING

(Issued December 3, 2009)

1. On April 8, 2009, the California Independent System Operator Corporation (CAISO) submitted proposed revisions to its Market Redesign and Technology Upgrade tariff (MRTU tariff or tariff) to comply with the Commission's order issued on March 9, 2009.<sup>1</sup> As discussed below, the CAISO proposes to revise the definition of a market disruption, and to include objective measures and procedures for the removal of bids and self-schedules that may cause or have previously caused market disruptions, among other things. The Commission conditionally accepts these revisions effective March 31, 2009, subject to modification, and a further compliance filing.

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,211 (2009) (March 2009 Order).

## **I. Background**

2. In the March 2009 Order, as a result of a previous order<sup>2</sup> and technical conference,<sup>3</sup> the Commission accepted, subject to modification, the CAISO's proposed tariff revisions submitted in its May 19, 2008 compliance filing.<sup>4</sup> The March 2009 Order directed the CAISO to revise its definition of a market disruption and to revise the actions the CAISO may take in the event of a market disruption. On April 8, 2009, the CAISO submitted a compliance filing to comply with the Commission's directives in the March 2009 Order.<sup>5</sup>

## **II. Notice of Filing and Responsive Pleadings**

3. Notice of the CAISO's filing was published in the *Federal Register*, 74 Fed. Reg. 18,219 (2009), with protests and interventions due on or before April 29, 2009.

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<sup>2</sup> *Cal. Indep. Sys. Operator Corp.*, 122 FERC ¶ 61,271 (2008) (March 2008 Order) (the Commission accepted and rejected various proposed tariff revisions submitted by the CAISO in its November 15, 2007 filing, and ordered the CAISO to submit a further compliance filing). The March 2008 Order also directed Commission staff to convene a technical conference "approximately six months after MRTU implementation [to] provide all parties with a final opportunity to identify any details in new or revised [BPM] language developed after November 15, 2007, which commenters believe should be included in the MRTU tariff." *See* March 2008 Order, 122 FERC ¶ 61,271 at P 122. On September 15, 2009, the Commission issued a Notice Seeking Comment On Need For Technical Conference. *See* Notice Seeking Comment On Need For Technical Conference, Docket Nos. ER06-615-011, *et al.* (Sept. 15, 2009). On October 19, 2009, the Commission issued a Notice Deferring Technical Conference. *See* Notice Deferring Technical Conference, Docket No. ER06-615-011, *et al.* (Oct. 19, 2009).

<sup>3</sup> Commission staff convened a technical conference on September 26-27, 2007 to discuss provisions contained in Business Practice Manuals which parties asserted should be included in the MRTU tariff. *See* Notice of Technical Conference, Docket No. ER06-615-012, *et al.* (Sept. 11, 2007).

<sup>4</sup> March 2009 Order, 126 FERC ¶ 61,211 at Ordering Paragraph (B).

<sup>5</sup> CAISO April 8, 2009 Compliance Filing (CAISO Compliance Filing).

4. Powerex Corporation (Powerex), Western Power Trading Forum (WPTF) and the California Department of Water Resources State Water Project (SWP) filed motions to intervene and comments. The CAISO filed an answer on May 14, 2009.<sup>6</sup>

### **III. Discussion**

#### **A. Procedural Matters**

5. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2009), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

6. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2009), prohibits an answer to a protest unless otherwise ordered by the decisional authority. The Commission will accept the CAISO's answer because it has provided information that assisted us in our decision-making process.

#### **B. Substantive Matters**

##### **1. Proposed Tariff Revisions on Market Disruptions**

##### **a. CAISO's Compliance Filing**

7. In the March 2009 Order, the Commission directed the CAISO to revise its definition of "market disruption" to reflect the types of market disruptions specifically outlined in MRTU tariff sections 7.6 (Normal System Operation) and 7.7 (Management of System Emergencies).<sup>7</sup> On compliance, the CAISO defines market disruption as "[a]n action or event that causes a failure of a CAISO market, related to system operation issues or System Emergencies referred to in Sections 7.6 [(Normal System Operation)] and 7.7 [(Management of System Emergencies)], respectively."<sup>8</sup>

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<sup>6</sup> CAISO May 14, 2009 Answer, Docket Nos. ER06-615-047 and ER07-1257-011 (CAISO Answer).

<sup>7</sup> March 2009 Order, 126 FERC ¶ 61,211 at P 25.

<sup>8</sup> CAISO's April 8, 2009 Compliance Filing (CAISO Compliance Filing) at 1-2.

8. The Commission also directed the CAISO to provide in its tariff objective measures for removal of otherwise MRTU-compliant bids which have previously caused a market disruption, as well as examples of when the CAISO expects that such bids might cause a market disruption.<sup>9</sup> On compliance, the CAISO states that proposed tariff section 7.7.15.2.1 (Objective Measures) provides that the CAISO may remove bids, including self-schedules, from the relevant CAISO market in the event of a market disruption, to prevent a market disruption, or to minimize the extent of a market disruption. The CAISO notes that proposed tariff section 7.7.15.2.1 also provides that the CAISO may remove bids that it has a reasonable basis for concluding may cause, or have previously caused, a market disruption.<sup>10</sup>

9. The CAISO proposes to include in MRTU tariff section 7.7.15.2.1 the following examples of bids that might cause a market disruption: (1) bids that pass through the automated bid validation process but are invalid for other reasons not detectable by the automated bid validation process, including derates reflected in the Scheduling and Logging system for the CAISO; (2) bids that are identified prior to the end of the CAISO market run as causing a feasibility issue that would prevent the CAISO market from clearing in the time allotted for the run, including ramp rates in the Scheduling and Logging system for the CAISO that result in infeasible generation bids; and (3) multiple bids that do not pose a problem for processing through the CAISO market when considered individually but, when submitted in combination with other bids, may become infeasible and present an impediment to the successful completion of the CAISO market.<sup>11</sup>

10. In the March 2009 Order, the Commission also directed the CAISO to include in its tariff an explanation of the consequences of bid or self-schedule removal as a result of a market disruption, and to detail how compensation will be determined for a bidder or self-scheduler whose bids or self-schedules are removed by the CAISO as a result of causing a previous market disruption.<sup>12</sup> In response, the CAISO proposes to include explanatory language in its tariff which states that the CAISO may remove part of a bid

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<sup>9</sup> March 2009 Order, 126 FERC ¶ 61,211 at P 26.

<sup>10</sup> CAISO Compliance Filing at 2.

<sup>11</sup> *Id.* at 2-3.

<sup>12</sup> March 2009 Order, 126 FERC ¶ 61,211 at P 28.

while retaining other parts of that bid for the applicable CAISO market run and interval, and may retain parts of that bid for subsequent CAISO market runs or intervals. The CAISO states that proposed tariff section 7.7.15.2.3 (Settlement Consequences of Removal of Bid) provides that, in the event that a bid is removed from the day-ahead market, a scheduling coordinator whose bid is removed will not be subject to settlement for the day-ahead market for the affected bid. According to the CAISO, however, the scheduling coordinator may re-submit that bid in the hour-ahead/real-time market for the same service.<sup>13</sup>

11. The Commission also required the CAISO to revise its MRTU tariff to include the procedures it will follow in the event that it removes a bid or self-schedule that has previously caused a market disruption.<sup>14</sup> On compliance, the CAISO states that proposed tariff section 7.7.15.2.4 (Reporting to Affected Scheduling Coordinators) provides that, to the extent practicable, the CAISO will contact a scheduling coordinator before removing a bid and advise that scheduling coordinator of the issues encountered with the bid. The CAISO further states that it will notify a scheduling coordinator as soon as practicable, but no later than three business days after the bid was removed, and will provide information specifying when the bid was removed and the nature of the market disruption.<sup>15</sup>

12. Finally, the March 2009 Order directed the CAISO to modify the MRTU tariff to provide that it will submit an informational filing within 60 days after the date of MRTU implementation, and every 60 days thereafter, detailing the frequency and types of actions taken by the CAISO pursuant to MRTU tariff section 7.7.15 (System Operations In the Event of a Market Disruption), as well as the nature of the market disruption and the CAISO's rationale for taking such actions.<sup>16</sup> In response, the CAISO states that proposed tariff section 7.7.15.4 (Reporting Requirements under Section 7.7.15) provides that the CAISO will include reports on actions taken pursuant to tariff section 7.7.15 (System Operations in the Event of a Market Disruption) as part of its Exceptional

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<sup>13</sup> CAISO Compliance Filing at 4-5.

<sup>14</sup> March 2009 Order, 126 FERC ¶ 61,211 at P 27.

<sup>15</sup> CAISO Compliance Filing at 5.

<sup>16</sup> March 2009 Order, 126 FERC ¶ 61,211 at P 29.

Dispatch report, as required under tariff section 34.9.4 (Reporting Requirements).<sup>17</sup> According to the CAISO, reports will be filed every two months, with each report detailing market disruption data for that two-month period.<sup>18</sup>

**b. Comments and Protests**

13. Powerex argues that, despite the CAISO's efforts to establish objective criteria regarding removal of bids from its markets, the CAISO's ability to remove MRTU-compliant bids if those bids previously resulted in market disruptions is problematic for scheduling coordinators. Powerex further protests the CAISO's proposed ability to remove only part of a bid which, according to Powerex, would permit the CAISO to accept a portion of a scheduling coordinator's bid and could alter the balance of products and resources that a scheduling coordinator was offering into the market. Specifically, Powerex contends that proposed MRTU tariff section 7.7.15.2.2 (Consequences of Removal of Bid) would allow the CAISO to remove particular products from, or from parts of, a bid, such as one leg of a wheel transaction. Powerex argues that if the CAISO finds it necessary to remove certain bids from its markets, it should be required to remove an entire bid rather than a part of that bid.<sup>19</sup>

14. According to Powerex, partial removal of a bid by the CAISO could commit scheduling coordinators to bids that they did not agree to and which may not be feasible. Powerex argues that this is inconsistent with a scheduling coordinator's obligation under MRTU tariff section 37.3.1.1 (Expected Conduct) to submit bids from resources that are reasonably expected to be available and capable of performing at levels specified in a bid. Powerex contends that if the CAISO is permitted to remove portions of a bid, the Commission should require the CAISO to modify tariff section 7.7.15.2.2 (Consequences of Removal of Bid) such that the CAISO is only permitted to remove the part of the bid

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<sup>17</sup> In an order issued on February 20, 2009, the Commission directed the CAISO to file within 60 days of implementation of MRTU, and every 60 days thereafter, a report on the frequency, volume, costs, causes, and degree of mitigation of Exceptional Dispatches. *See Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,150, at P 263 (2009). The CAISO filed its initial combined Exceptional Dispatch and Market Disruption Reports on May 15, 2009 in Docket No. ER06-615-000, *et al.*

<sup>18</sup> CAISO Compliance Filing at 6.

<sup>19</sup> Powerex April 29, 2009 Comments at 3-4, 5-6 (Powerex Comments).

affected by an outage in the CAISO's Scheduling and Logging system or a transmission derate. According to Powerex, this would limit the CAISO's discretion to remove bids or parts of bids to those instances that pose actual feasibility issues.<sup>20</sup>

15. Powerex further contends that proposed tariff section 7.7.15.2.1 (Objective Measures) would allow the CAISO to remove self-schedules at any time, even prior to the CAISO's exhaustion of economic bids. Powerex argues that this would be inconsistent with other provisions of the tariff which provide that the CAISO will adjust self-schedules only after it uses available economic bids.<sup>21</sup>

16. Powerex argues that proposed tariff section 7.7.15.2.4 (Reporting to Affected Scheduling Coordinators) will only require the CAISO to provide advance notice to scheduling coordinators to the extent practicable, but no later than three business days after the bid was removed.<sup>22</sup> Powerex argues that this provision does not provide adequate notice to a scheduling coordinator that a portion of its bid has been rejected, adding that a scheduling coordinator may be unaware that a portion of its bid has been removed from the market until well after the market has solved.<sup>23</sup>

17. According to Powerex, proposed tariff section 7.7.15.2.1 (Objective Measures) would give the CAISO authority to remove a bid or set of bids that do not pose a problem when considered individually, but "when submitted in combination with other bids become infeasible and present an impediment to successful completion of the CAISO market."<sup>24</sup> Powerex argues, however, that MRTU software permits scheduling coordinators to submit as many bids as they like, adding that, to the extent market

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<sup>20</sup> *Id.* at 4-6.

<sup>21</sup> *Id.* at 5 (citing MRTU tariff section 33.3 (Treatment of Self-Schedules in HASP)).

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* at 6-7 (citing MRTU tariff section 7.7.15.2.1 (Objective Measures)).

disruptions occur due to overloaded software, the CAISO should improve the capacity of its software as an alternative to removal of scheduling coordinators' bids.<sup>25</sup>

18. In its protest, WPTF argues that the CAISO proposes changes to MRTU tariff section 7.7.15 (System Operations in the Event of a Market Disruption) that expand its authority under a market disruption beyond the Commission's directives in the March 2009 Order. Specifically, WPTF argues that the CAISO's proposed changes would not only permit the removal of bids and schedules which have resulted in a market disruption, but would also permit removal to prevent a market disruption or to minimize the extent of a market disruption.<sup>26</sup> WPTF contends that the CAISO has provided no support for the removal of bids or self schedules to mitigate other market disruptions, and adds that the CAISO already has significant authority to solve the market using uneconomic adjustments if necessary, and to use Exceptional Dispatch if appropriate.<sup>27</sup>

19. WPTF contends that the CAISO's proposed changes to tariff section 7.7.15 (System Operations in the Event of a Market Disruption) are ambiguous and would permit removal of bids, parts of bids, and schedules without any clear and objective methodology for determining which are removed to "prevent a market disruption" or to "minimize the effects of a market disruption." According to WPTF, while it may be reasonable for the CAISO to remove bids and schedules found to disrupt the market, the CAISO does not need the authority to remove bids and schedules to mitigate other market disruptions beyond the authority already granted in the CAISO's Exceptional Dispatch policies.

20. As such, WPTF states that the Commission should reject language in proposed tariff sections 7.7.15.1 (Objective Measures), 7.7.15.2 (Consequences of Removal of Bid) and 7.7.15.3 (Settlement Consequences of Removal of Bid) that expands the CAISO's authority to prevent a market disruption and to minimize the extent of a market disruption. Finally, WPTF requests that, if the Commission accepts the CAISO's expanded authority, the Commission direct the CAISO to specify in its tariff objective measures it would use to remove bids or schedules for the purpose of preventing or minimizing the extent of market disruptions.

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<sup>25</sup> *Id.*

<sup>26</sup> WPTF April 29, 2009 Comments at 3 (WPTF Comments).

<sup>27</sup> *Id.* at 3-5.

21. SWP states that the Commission found that the CAISO's proposed definition of market disruption "is so broad as to enable [the CAISO] to undertake actions in situations other than the types of market disruptions contemplated in sections 7.6 [(Normal System Operation)] and 7.7 [(Management of System Emergencies)] of the MRTU tariff."<sup>28</sup> As such, SWP requests that the proposed definition of market disruption be further revised as follows:

~~"An action or event that causes a failure of a CAISO Market, related to~~ caused by system operation issues or System Emergencies referred to in Sections 7.6 and 7.7, respectively."<sup>29</sup>

22. In support of its request, SWP states that the breadth of actions or events related to system operation issues or system emergencies is vast, whereas market failures caused by system operation issues or system emergencies appropriately captures the situations contemplated in MRTU tariff sections 7.6 (Normal System Operation) and 7.7 (Management of System Emergencies).

**c. CAISO Answer**

23. In its answer, the CAISO states that there is no reason for the Commission to require it to make further changes to the definition of market disruption. According to the CAISO, the March 2009 Order directed the CAISO to "provide a definition of market disruption which is more narrowly tailored to reflect the types of market disruptions specifically outlined in sections 7.6 and 7.7 of the MRTU tariff."<sup>30</sup> The CAISO states that the revised definition of market disruption satisfies the Commission's directive.<sup>31</sup>

24. The CAISO states that removal of bids pursuant to MRTU tariff section 7.7.15 (System Operations in the Event of a Market Disruption) in the event of a market disruption, to prevent a market disruption, or to minimize the extent of a market

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<sup>28</sup> SWP April 19, 2009 Comments at 1-2 (quoting March 2009 Order, 126 FERC ¶ 61,211 at P 25) (SWP Comments).

<sup>29</sup> *Id.* at 2.

<sup>30</sup> CAISO Answer at 2 (quoting March 2009 Order, 126 FERC ¶ 61,211 at P 25).

<sup>31</sup> *Id.* at 2-3.

disruption is consistent with the Commission's directives in the March 2009 Order. According to the CAISO, in the March 2009 Order<sup>32</sup> the Commission accepted its previous proposal to remove bids under any of these circumstances<sup>33</sup> and authorized the CAISO to remove bids pursuant to MRTU tariff section 7.7.15 in these instances.<sup>34</sup>

25. The CAISO states that WPTF's argument that the CAISO should not be permitted to remove bids pursuant to MRTU tariff section 7.7.15 (System Operations in the Event of a Market Disruption) in order to prevent a market disruption or to minimize the extent of a market disruption, constitutes a request for rehearing of the March 2009 Order. The CAISO notes that the Commission has previously stated that it will reject protests of a compliance filing that constitute untimely requests for rehearing of, and therefore collateral attacks on, an underlying order.<sup>35</sup> As such, the CAISO argues, the Commission should reject WPTF's protest as a collateral attack on the March 2009 Order.

26. The CAISO disagrees with WPTF's assertion that revised MRTU tariff section 7.7.15 (System Operations in the Event of a Market Disruption) allows the CAISO to remove "bids and schedules." The CAISO states that while tariff section 7.7.15 does permit the CAISO to remove all types of bids, it only permits removal of self-schedules.

27. The CAISO states that WPTF's argument that the CAISO does not provide a clear and objective methodology for determining which bids are removed to prevent a market disruption or to minimize the extent of a market disruption ignores the language in

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<sup>32</sup> *Id.* at 4 (quoting March 2009 Order, 126 FERC ¶ 61,211 at P 29 n.29). The CAISO states that the Commission conditionally accepted the May 19, 2008 compliance filing in the March 2009 Order, subject to certain conditions. The CAISO adds, however, that the conditions ordered by the Commission in the March 2009 Order did not include modifications that would preclude the CAISO from removing bids in any of the above circumstances.

<sup>33</sup> *Id.* at 3-4 (citing CAISO Compliance Filing, Docket No. ER06-615-023, *et al.*, at Att. B (filed May 19, 2008)).

<sup>34</sup> *Id.* at 4 (citing March 2009 Order, 126 FERC ¶ 61,211 at P 10).

<sup>35</sup> *Id.* at 5 (quoting *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,240, at P 13 (2007)).

proposed MRTU tariff section 7.7.15.2.1 (Objective Measures). According to the CAISO, proposed tariff section 7.7.15.2.1 states that the CAISO may remove bids “that are not feasible based on the misalignment of resource-specific conditions and physical constraints represented in the Master File, current outage information, and the Bid itself.”<sup>36</sup> Further, the CAISO states that proposed tariff section 7.7.15.2.1 contains specific examples of infeasible bids. According to the CAISO, these tariff provisions comply with the Commission’s directives in the March 2009 Order that the CAISO must include in its tariff “objective measures for removal of otherwise MRTU-compliant bids and self-schedule outcome, as well as examples of when such bids and self-schedules might cause market disruptions.”<sup>37</sup>

28. In response to Powerex’s comment that the CAISO should work towards improving the capacity of its software as an alternative to removing scheduling coordinators’ bids, the CAISO states that it does not believe software overloading has led to the removal of any bids. The CAISO further states that it does not consider improvements to its software as an alternative to the removal of bids pursuant to tariff section 7.7.15. Instead, the CAISO views the removal of bids as an action it may need to take prior to making necessary software improvements. The CAISO agrees, however, that to the extent software issues result in actions taken under MRTU tariff section 7.7.15 (System Operations in the Event of a Market Disruption), it will continue to work towards improving the capacity of its software to reduce the occurrence of market disruptions.<sup>38</sup>

29. In response to Powerex’s argument that removal of self-schedules pursuant to proposed tariff section 7.7.15.2.1 (Objective Measures) would be inconsistent with tariff provisions providing that the CAISO will adjust self-schedules only after it uses available economic bids, the CAISO states that no such inconsistency exists. According to the CAISO, proposed MRTU tariff section 33.3 (Treatment of Self-Schedules in HASP) and section 7.7.15.2.1 apply to different circumstances. Specifically, the CAISO states that tariff section 7.7.15.2.1 applies when the CAISO removes bids in the event of a market disruption, to prevent a market disruption, or to minimize the extent of a market disruption – instances which the CAISO anticipates will be rare. On the other hand, the

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<sup>36</sup> *Id.* at 6.

<sup>37</sup> *Id.* at 7 (quoting March 2009 Order, 126 FERC ¶ 61,211 at P 26).

<sup>38</sup> *Id.* at 8.

CAISO states, tariff section 33.3 applies during the regular course of market operations. Due to these different circumstances, the CAISO argues, tariff section 7.7.15.2.1 should not be modified to be consistent with tariff section 33.3.

30. In response to Powerex's claim that proposed MRTU tariff section 7.7.15.2.2 (Consequences of Removal of Bid) gives the CAISO authority to modify a scheduling coordinator's bid, thereby altering the balance of products and resources being offered into the market, the CAISO states that its proposal to remove part of a bid is within the scope of the March 2009 Order. Specifically, the CAISO notes that the March 2009 Order directed the CAISO to "include procedures for notifying market participants when their bid or self-schedule causes a market disruption, when their bid or self-schedule is removed, and whether the CAISO will remove all or part of their bid or self-schedule."<sup>39</sup> As such, the CAISO argues, the Commission authorized it to remove all or part of a bid or self-schedule pursuant to tariff section 7.7.15. The CAISO further states that, under certain circumstances, the retention of part of a bid may be favorable to both the CAISO and the scheduling coordinator.

31. Nonetheless, the CAISO agrees with Powerex that, to the extent a bid for a particular service must be removed, the entire bid curve for that service and particular market will be removed.<sup>40</sup> The CAISO states, however, that the ability to retain part of a bid does not adversely affect scheduling coordinators since, in most instances and to the extent feasible, the CAISO will contact scheduling coordinators prior to removing part of a bid as proposed in its tariff section 7.7.15.2.4 (Reporting to Affected Scheduling Coordinators).<sup>41</sup> The CAISO states that it believes this provides sufficient opportunity for scheduling coordinators to object to the partial removal of a bid.

32. The CAISO argues that there is no merit to Powerex's claim that the partial removal of bids might commit scheduling coordinators to bids to which they did not agree and which might not be feasible, in violation of scheduling coordinators' obligations under MRTU tariff section 37.3.1.1 (Expected Conduct). According to the CAISO, tariff section 37.3.1.1 only obligates scheduling coordinators to submit bids:

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<sup>39</sup> CAISO Answer at 10 (quoting March 2009 Order, 126 FERC ¶ 61,211 at P 27).

<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

from resources that are reasonably expected to be available and capable of performing at the levels specified in the Bid, and to remain available and capable of so performing *based on all information that is known to the Market Participant or should have been known to the Market Participant at the time of submission.*<sup>42</sup>

As such, the CAISO states, if a scheduling coordinator did not know that the CAISO removed part of its bid, or had no reason to know at the time of bid submission that the CAISO was going to remove part of that bid, a scheduling coordinator cannot be in violation of MRTU tariff section 37.3.1.1 (Expected Conduct) due to the CAISO's partial removal of a bid.

33. With respect to Powerex's proposal that the CAISO only be permitted to remove the part of the bid that is affected by an outage in the CAISO's Scheduling and Logging system or a transmission derate, the CAISO states that such a restriction would excessively limit the CAISO's authority to remove parts of bids based on the objective methods contained in proposed MRTU tariff section 7.7.15.2.1 (Objective Measures).

34. Finally, the CAISO asks the Commission to reject Powerex's request that the CAISO be required to notify affected scheduling coordinators in advance of removing part of a bid, where time permits, and to provide scheduling coordinators with an opportunity to modify or withdraw their bids from the market. The CAISO states that the Commission, in the March 2009 Order, found that the CAISO must provide bid removal information to market participants within three business days of the CAISO taking such action.<sup>43</sup> The CAISO states that proposed tariff section 7.7.15.2.4 (Reporting to Affected Scheduling Coordinators) fully satisfies this directive.

**d. Commission Determination**

35. The Commission conditionally accepts the CAISO's proposed tariff revisions, subject to modification and a further compliance filing, effective March 31, 2009, as requested by the CAISO.

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<sup>42</sup> CAISO Answer at 11 (quoting MRTU tariff section 37.3.1.1 (Expected Conduct)) (emphasis added by the CAISO).

<sup>43</sup> *Id.* at 12 (citing March 2009 Order, 126 FERC ¶ 61,211 at P 28).

36. The Commission rejects WPTF's protest that the CAISO's proposed revisions to tariff section 7.7.15 (System Operations in the Event of a Market Disruption) would permit the removal of bids to prevent a market disruption, or to minimize the extent of a market disruption, as a collateral attack on the Commission's March 2009 Order.<sup>44</sup> The CAISO, in its May 19, 2008 Compliance Filing, proposed new MRTU tariff section 7.7.15 to outline those actions it may take in the event of a market disruption, to prevent a market disruption, or to minimize the extent of a market disruption.<sup>45</sup> In its March 2009 Order, the Commission conditionally accepted these tariff provisions related to market disruptions, subject to modification and a further compliance filing.<sup>46</sup> The March 2009 Order did not require the CAISO to modify the language in proposed tariff section 7.7.15 with respect to actions the CAISO may take in the event of a market disruption, to prevent a market disruption, or to minimize the extent of a market disruption. Instead, the March 2009 Order directed the CAISO to include objective measures of the bid and self-schedule outcomes that would warrant removal of a MRTU-compliant bid or self-schedule, and required the CAISO to enumerate the procedures it will use when seeking to remove a bid or self-schedule that has previously caused a market disruption.<sup>47</sup> As such, WPTF's protest of the CAISO's authority to remove bids to prevent a market disruption or to minimize the extent of a market disruption constitutes a collateral attack on the March 2009 Order, and we therefore reject it.

37. The proposed MRTU tariff section 7.7.15.2.1 (Objective Measures) permits removal of bids that the CAISO "has a reasonable basis for concluding may cause" a market disruption.<sup>48</sup> While the Commission accepted the CAISO's proposal to remove bids or self-schedules that have *previously caused* a market disruption,<sup>49</sup> this does not

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<sup>44</sup> See *Acadia Power Partners, LLC*, 106 FERC ¶ 61,215 (2004) (collateral attacks on Commission orders may not be made through protests to compliance filings).

<sup>45</sup> See CAISO May 19, 2008 Compliance Filing, Docket Nos. ER06-615-023 and ER07-1257-005, at Att. A (filed May 19, 2008).

<sup>46</sup> See March 2009 Order, 126 FERC ¶ 61,211 at P 23.

<sup>47</sup> See *id.* P 26-27.

<sup>48</sup> CAISO Compliance Filing at 1-2, Att. A.

<sup>49</sup> March 2009 Order, 126 FERC ¶ 61,211 at P 26.

extend to removal of bids or self-schedules that the CAISO concludes *may cause* a market disruption.<sup>50</sup> We find that proposed tariff section 7.7.15.2.1 expands the CAISO's authority beyond the Commission's directives in the March 2009 Order. The CAISO is directed to remove the clause "has a reasonable basis for concluding may cause" from proposed tariff section 7.7.15.2.1 and to submit this change in a compliance filing within 30 days of the issuance of this order.

38. The Commission denies WPTF's request that the CAISO revise its tariff to include objective measures it would use to remove bids or schedules for the purpose of preventing or minimizing the extent of market disruptions. The Commission previously addressed these concerns when it directed the CAISO to provide in its tariff objective measures for removal of otherwise MRTU-compliant bids and self-schedule outcomes which have previously caused a market disruption, and to provide examples of when the CAISO expects such bids and self-schedules to cause market disruptions.<sup>51</sup> The CAISO's proposed tariff section 7.7.15.2.1 (Objective Measures), with the exception of the portion discussed above,<sup>52</sup> complies with the directives in the March 2009 Order. For instance, proposed tariff section 7.7.15.2.1 specifies that the CAISO may remove bids, including self-schedules, from the relevant CAISO market in the event of a market disruption, to prevent a market disruption, or to minimize the extent of a market disruption, and provides examples of when bids might cause a market disruption. We find no reason to require the CAISO to specify additional objective measures with respect to removal of bids or self-schedules for the purpose of preventing or minimizing the extent of a market disruption.

39. We reject Powerex's argument that the CAISO only be permitted to remove the portion of a bid that is affected by an outage in the CAISO's Scheduling and Logging system or a transmission derate. Limiting the CAISO's ability to partially remove a bid to only those instances where a bid is affected by an outage in the CAISO's Scheduling and Logging system or a transmission derate would restrict the CAISO's ability to partially remove bids based on the objective measures contained in proposed tariff section 7.7.15.2.1, and would prevent the CAISO from effectively responding to, or preventing, a market disruption.

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<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> *See supra* P 37.

40. In addition, the Commission finds that, in the event of a market disruption, it is important for the CAISO to have the flexibility to remove part of a bid that previously caused a market disruption, while retaining other parts of that bid. The language in proposed tariff section 7.7.15 (System Operations in the Event of a Market Disruption) provides the CAISO with this flexibility as a tool to manage market disruptions. The Commission notes that proposed tariff section 7.7.15.2.4 (Reporting to Affected Scheduling Coordinators) which requires, the CAISO to contact an affected scheduling coordinator “as soon as practicable, but no later than three (3) [b]usiness [d]ays” after removing a bid or self schedule, will minimize the possibility that a scheduling coordinator will be adversely impacted by the removal of a part of a bid. Further, we reject Powerex’s argument that proposed tariff section 7.7.15.2.4 does not provide adequate notice to a scheduling coordinator that a portion of its bid has been rejected. Consistent with our March 2009 Order, the CAISO revised its tariff to “provide market participants whose bids or self-schedules were removed with information specifying when their bids or self-schedules were removed as a result of causing a previous market disruption, and the nature of the disruption, within 3 business days of the CAISO taking such action.”<sup>53</sup> We find that the CAISO’s commitment in proposed tariff section 7.7.15.2.4 fully complies with the directives of the March 2009 Order.

41. The Commission rejects Powerex’s argument that the CAISO’s partial removal of bids might cause a scheduling coordinator to be in violation of its obligations under MRTU tariff section 37.3.1.1 (Expected Conduct). We note that tariff section 37.3.1.1 obligates a scheduling coordinator to submit bids “based on all information that is known to the [m]arket [p]articipant at the time of submission.”<sup>54</sup> As such, when a scheduling coordinator has no reason to know at the time of bid submission that the CAISO would remove part of that bid, a scheduling coordinator cannot be in violation of tariff section 37.3.1.1 due to the CAISO’s partial removal. In fact, the CAISO, in its Answer, clarifies that its partial removal of bids pursuant to tariff section 7.7.15.2.2 (Consequences of Removal of a Bid) will not cause a scheduling coordinator to be in violation of tariff section 37.3.1.1.<sup>55</sup> Further CAISO states in its Answer that, to the extent a bid for a particular service needs to be removed, the entire bid curve for that service and particular

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<sup>53</sup> March 2009 Order, 126 FERC ¶ 61,211 at P 28.

<sup>54</sup> CAISO, FERC Electric Tariff, Fourth Replacement Vol. No. 1, Substitute First Revised Sheet No. 719.

<sup>55</sup> CAISO Answer at 11-12.

market will be removed by the CAISO.<sup>56</sup> We find this clarification to be useful in addressing Powerex's concerns, and direct the CAISO to specify in its tariff that, in the event that part of a bid for a particular service needs to be removed pursuant to tariff section 7.7.15.2.1 (Objective Measures), the CAISO will remove the entire bid for that particular service and market. We direct the CAISO to modify tariff section 7.7.15.2 in a compliance filing within 30 days of the issuance of this order.

42. With respect to Powerex's comments regarding improvement to the capacity of the CAISO's MRTU software, we note that the CAISO's ability to remove bids may be a necessary action in the event of a market disruption, regardless of the specific cause of that disruption. As such, removal of bids pursuant to tariff section 7.7.15 (System Operations In the Event of a Market Disruption) is not an alternative to improvements to the CAISO software, but rather an immediate measure taken by the CAISO to ensure proper settlement of its markets. To the extent the CAISO removes a bid or self-schedule due to software problems, however, the reporting requirements contained in proposed tariff sections 7.7.15.2.4 (Reporting to Affected Scheduling Coordinators) and 7.7.15.4 (Reporting Requirements under Section 7.7.15) will provide the Commission and market participants with information as to when a bid was removed and the nature of the disruption. We note the CAISO in its Answer states that it will continue to work towards improving the capacity of its software to reduce the occurrence of market disruptions.<sup>57</sup>

43. The Commission rejects SWP's request that the CAISO's proposed definition of "market disruption" be revised. In the March 2009 Order, the Commission directed the CAISO to revise its definition of "market disruption" to reflect the types of market disruptions specifically outlined in MRTU tariff sections 7.6 (Normal System Operation) and 7.7 (Management of System Emergencies).<sup>58</sup> The CAISO's proposed definition of market disruption specifically refers to those system operations issues or system emergencies outlined in MRTU tariff sections 7.6 and 7.7. We find this modification to sufficiently narrow the definition of market disruption by requiring that it relate to the areas of CAISO activity specified in tariff sections 7.6 and 7.7. We find that the CAISO's revised definition of "market disruption" complies with the Commission's

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<sup>56</sup> *Id.* at 10.

<sup>57</sup> *Id.* at 8.

<sup>58</sup> March 2009 Order, 126 FERC ¶ 61,211 at P 25.

directive in the March 2009 Order, and find no reason for additional modification to this definition.

44. Finally, we accept the CAISO's proposed revisions related to market disruptions with the understanding that, pursuant to proposed MRTU tariff section 7.7.15.4 (Reporting Requirements under Section 7.7.15), the CAISO will include informational reports on actions taken pursuant to tariff section 7.7.15 (System Operations in the Event of a Market Disruption) as part of its Exceptional Dispatch report, as required under tariff section 34.9.4 (Reporting Requirements). We find that regular reporting by the CAISO will provide the necessary transparency to enable stakeholders to remain informed about the use of the actions taken by the CAISO under MRTU tariff section 7.7.15. Regular reporting should also help facilitate any stakeholder processes concerning the development of additional market rules to prevent future market disruptions.<sup>59</sup>

The Commission orders:

(A) The CAISO's proposed revisions to its MRTU tariff are conditionally accepted, subject to modification, effective March 31, 2009, as discussed in the body of this order.

(B) The CAISO is directed to submit a compliance filing within 30 days of the issuance of this order, consistent with the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>59</sup> See *id.* P 29.