

129 FERC ¶ 61,206
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 7, 2009

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER09-1281-002

California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Attn: Anna McKenna, Esquire
Counsel for the California Independent System
Operator Corporation

Reference: Request for Clarification or Rehearing

Dear Ms. McKenna:

1. On September 3, 2009, the California Independent System Operator (CAISO) filed, pursuant to Section 313 of the Federal Power Act,¹ a request for clarification of an order issued by the Federal Energy Regulatory Commission (Commission) on August 4, 2009 (August 4 Order).² Specifically, the CAISO requests clarification or, in the alternative rehearing of the following issues: (1) whether the August 4 Order incorrectly presumes that the CAISO is always able to produce the comparative nodal cost data that the Commission required the CAISO to publish when the integrated forward market fails to clear using the distributed load reference bus and instead clears with the use of a

¹ 16 U.S.C. § 825k (2006).

² *Cal. Ind. Sys. Operator Corp.*, 128 FERC ¶ 61,131 (2009).

distributed generation reference bus as a backstop measure; and (2) whether the August 4 Order unreasonably requires that the CAISO continue to re-run the integrated forward market in perpetuity to obtain the comparative nodal cost information that the Commission required the CAISO to publish.

2. On June 5, 2009, the CAISO submitted tariff revisions to address the calculation of the marginal cost of energy component of the locational marginal price. Specifically, the CAISO filed tariff revisions implementing the use of a distributed generation reference bus as a backstop measure in the event that the integrated forward market failed to clear using a distributed load reference bus. According to the CAISO, because transmission losses are not known prior to determining the least cost solution for the market, the CAISO must calculate the marginal cost of energy component by using a reference bus to absorb any positive or negative power mismatches.³ Further, the CAISO stated that the reference bus can be a single node or a set of nodes in the CAISO's system. Where a set of nodes is utilized, it is referred to as a distributed reference bus.

3. The CAISO stated that it can use either the distributed load reference bus or distributed generation reference bus when calculating the marginal cost of energy component. The CAISO stated that, pursuant to its MRTU tariff the distributed load reference bus will be used in calculating the marginal energy cost component of locational marginal prices; however, the CAISO acknowledged that in certain instances where the integrated forward market failed to clear using a distributed load reference bus, the CAISO could clear the integrated forward market using a distributed generation reference bus. Therefore, the CAISO proposed using the distributed generation reference bus only as a backstop measure when the integrated forward market failed to clear using the distributed load reference bus.

4. In the August 4 Order, the Commission conditionally accepted the CAISO's proposed revisions subject to the CAISO addressing additional concerns. Specifically, in the August 4 Order the Commission stated, "we direct the CAISO to post on its website an informational report detailing the nodal pricing ramifications resulting from the use of a distributed generation reference bus in clearing the integrated forward market after every use of the backstop provision."⁴ This was intended not only to inform market participants of the nodal financial ramifications that occur when the CAISO must use a distributed generation reference bus as a backstop mechanism when the integrated

³ CAISO September 3, 2009 filing at 2.

⁴ August 4 Order, 128 FERC ¶ 61,131 at P 27.

forward market fails to clear using the distributed load reference bus, but also the frequency of such backstop uses.

5. In the instant filing, the CAISO seeks clarification regarding this directive from the August 4 Order. Specifically, the CAISO requests clarification that the CAISO post the comparative cost information in every instance that the integrated forward market fails to clear using the distributed load reference bus, as well as clarification of whether the CAISO is required to re-run the integrated forward market in perpetuity to obtain the nodal financial information. The CAISO states that it does not object to posting the requested nodal cost information to the extent that it can actually obtain such information. According to the CAISO, in order to obtain the nodal cost information, the CAISO must be able to re-run the integrated forward market and successfully clear the integrated forward market using the distributed load reference bus. However, the CAISO states that it may not be possible for the CAISO to re-run the integrated forward market within a reasonable period of time and obtain financial results that the Commission has required the CAISO to post. The CAISO asserts that a significant delay in the ability to obtain a successful re-run of the integrated forward market calls into question the value of the solution. Further, the CAISO states that the Commission was not clear in establishing a deadline for posting such nodal cost data, and that there should be a reasonable cut-off date after which the CAISO is not expected to re-run the integrated forward market using a distributed load reference bus. The CAISO proposes a cut-off date of 90 days after the use of the distributed generation reference bus.

6. The Commission finds that the CAISO raises valid concerns in its instant request for clarification. In those instances when the CAISO has found it necessary to clear the integrated forward market by using the distributed generation reference bus, the CAISO is still required to post on its website a statement that this occurred. However, the Commission clarifies that the CAISO is required to post the nodal financial information resulting from re-running the integrated forward market using the distributed load reference bus only to the extent that it is feasible for the CAISO to do so. Further, we clarify that, to the extent that the CAISO is unable to re-run the integrated forward market using the distributed load reference bus within 90 days following the particular use of the distributed generation reference bus, the CAISO is no longer required to post the nodal financial information. The CAISO's request for rehearing is denied.

By the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.