

154 FERC ¶ 61,132
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

February 24, 2016

In Reply Refer To:
California Independent
System Operator Corporation
Docket No. ER16-897-000

California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Attn: David S. Zlotlow, Esq.

Reference: Tariff Revisions to Alter Effective Dates

Dear Mr. Zlotlow:

1. On February 4, 2016, the California Independent System Operator Corporation (CAISO) filed, pursuant to section 205 of the Federal Power Act (FPA),¹ tariff revisions to extend the date of expiration of its currently effective capacity procurement mechanism (CPM) tariff authority and revise the effective date for implementation of its new CPM tariff provisions previously accepted by the Commission which, among other things, implemented a competitive solicitation process to procure backstop capacity.² In addition, CAISO filed minor revisions to tariff section 40.4.6 to reconcile overlapping tariff revisions as a result of the instant filing.³ As discussed below, we accept the

¹ 16 U.S.C. § 824d (2012).

² *Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,001 (2015) (October 2015 Order), *order on clarification*, 154 FERC ¶ 61,034 (2016) (January 2016 Order).

³ On November 18, 2015, CAISO submitted a filing in Docket No. ER16-350-000 to reconcile overlapping, Commission-accepted tariff records in the eTariff system, including revisions to tariff section 40.4.6, which relates to the new CPM. The filing remains pending before the Commission.

proposed tariff revisions for filing, effective February 25, 2016, and April 1, 2016, subject to condition, and direct CAISO to file revised tariff records reflecting the newly proposed implementation date of May 1, 2016 reflected in its answer, together with any necessary revisions to sections 43.1 and 43A.1, within 15 days of the date of this order.

2. On October 1, 2015, the Commission accepted CAISO's proposal to, among other things, replace its existing CPM tariff authority, which expires on February 28, 2016, with a competitive solicitation process to procure backstop capacity effective March 1, 2016. Specifically, under the new CPM, CAISO will procure backstop capacity to meet reliability needs through a competitive solicitation process and pay the designated resources an as-bid price subject to a soft offer cap, rather than paying these resources an administratively determined price.⁴ In the October 2015 Order, the Commission found that CAISO's proposal to replace its administratively priced CPM with a competitive solicitation process was a just and reasonable approach to meeting CAISO's operational needs and providing appropriate compensation to needed resources.⁵

3. In the instant filing, CAISO explains that it is no longer able to implement the new CPM on March 1, 2016, due to implementation challenges arising from software problems inhibiting its standard testing procedures. Specifically, CAISO asserts that it has not met its internal quality metrics for moving a new market function to the market simulation process and, thus, will not be able to provide market participants with sufficient time to properly explore, test, and provide feedback on the new market functionalities.

4. To remedy this problem, CAISO proposes to extend the implementation date of its new CPM from March 1, 2016, to April 1, 2016. CAISO states that it must begin the CPM on the first of the month in order to coincide with the monthly resource adequacy process. In addition, CAISO asserts that the additional month will allow for the time necessary to identify, retest, and resolve any defects in its market functions and ensure that its pre-production quality metrics are met.⁶ CAISO also proposes to extend the

⁴ The soft offer cap is \$6.31/kW-month (or \$75.68/kW-year), which CAISO states is based on the estimated levelized going-forward fixed costs of a reference resource, as identified in a May 2014 report prepared by the California Energy Commission (CEC) and includes a 20 percent adder. January 2016 Order, 154 FERC ¶ 61,034 at PP 3-4.

⁵ October 2015 Order, 153 FERC ¶ 61,001 at P 28.

⁶ CAISO February 4 Filing at 5.

expiration of its current CPM from February 28, 2016, to March 31, 2016, so that there is no gap in its tariff authority to procure backstop capacity for the month of March 2016.⁷

5. To effectuate these changes, CAISO proposes to revise sections 43.1 and 43A.1 of its tariff, which define when the new CPM applies in order to facilitate the new implementation date of April 1, 2016. CAISO notes that the Commission previously accepted these tariff provisions in the October 2015 Order effective January 16, 2016; thus, CAISO proposes to revise these sections effective February 25, 2016, so that the provisions are effective in advance of the March 2016 resource adequacy month.⁸ In addition, CAISO proposes to revise the effective date for the remainder of its proposed tariff provisions to reflect April 1, 2016, and states that it has not made any substantive changes to these sections, which it reaffirms the Commission previously accepted in the October 2015 Order.⁹ Finally, CAISO requests waiver of the Commission's 60-day notice requirements for its requested effective dates.

6. Notice of CAISO's February 4 Filing was published in the *Federal Register*, 81 Fed. Reg. 7,092 (2016), with protests and interventions due on or before February 25, 2016. The Commission issued an errata notice on February 9, 2016 shortening the comment period to February 12, 2016. NRG Power Marketing LLC and GenOn Energy Management filed a motion to intervene. PG&E filed a motion to intervene and comments. On February 18, 2016, CAISO filed an answer to PG&E's comments.

7. PG&E requests that CAISO's proposal to extend the effective date for the new CPM tariff provisions to April 1, 2016, be further extended to May 1, 2016. PG&E states that CAISO has not demonstrated that its market simulation environment will be ready for an April 1, 2016 implementation date, and that PG&E may not be able to execute its planned test activities. PG&E asserts that, even with the additional month CAISO proposes, market participants may not have adequate time to thoroughly test CAISO's new system interface and processes and ensure all exit criteria are met.¹⁰

8. In its answer, CAISO states that it agrees with PG&E that the implementation of the new CPM should be further extended to May 1, 2016. CAISO explains that, on February 9, 2016, it encountered a software issue with its market simulation environment

⁷ *Id.* at 2.

⁸ *Id.* at 3, 5-6.

⁹ CAISO proposes an effective date of April 1, 2016, for tariff sections 34.11, 39.10.3, 39.10.4, and 40.4.6. *Id.* at 6.

¹⁰ PG&E February 12 Comments at 4.

that will require significant cross-departmental efforts to resolve.¹¹ Thus, CAISO supports further extending the date of expiration of its currently effective CPM tariff authority by an additional month and further revising the effective date for implementation of its new CPM tariff provisions to May 1, 2016. CAISO states that this additional extension will ensure that market participants have enough time to adequately verify results, resolve defects, and retest systems.

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

10. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2015), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We accept CAISO's answer because it has provided information that has assisted us in our decision-making process.

11. We accept CAISO's proposed tariff revisions to extend the duration of its existing CPM authority and the effective date of its new CPM authority, subject to condition.¹² We find that CAISO's proposal to delay the implementation of its new CPM authority while extending the expiration of its current CPM authority is just and reasonable because it will ensure that CAISO has the authority to procure backstop capacity to meet any reliability needs that arise in the interim period. Furthermore, we find that the extension, as modified in its answer, will provide CAISO with the time necessary to properly test its new market functionalities and ensure the successful deployment of the new CPM product while providing market participants with sufficient time to explore, test, and provide feedback on these systems. For these reasons, we accept CAISO's proposal to further extend the implementation of the new CPM authority to May 1, 2016, and direct CAISO to file revised tariff records to reflect the new May 1, 2016 implementation date, together with any necessary revisions to sections 43.1 and 43A.1, within 15 days of the date of this order. We also accept the minor edits to section 40.4.6 to address the overlapping tariff revisions.

¹¹ CAISO February 18 Answer at 3.

¹² The Commission can revise a proposal filed under section 205 of the FPA as long as the filing utility accepts the change. *See City of Winnfield v. FERC*, 744 F.2d 871, 875-77 (D.C. Cir. 1984). The filing utility is free to indicate that it is unwilling to accede to the Commission's conditions by withdrawing its filing.

12. Lastly, we find that good cause exists to grant CAISO's request for waiver of the Commission's 60-day notice requirement and the will allow the proposed revisions to become effective February 25, 2016, and April 1, 2016, subject to condition, as discussed above.¹³

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

¹³ See *Consumers Energy Co.*, 80 FERC ¶ 61,283, at 62,009 (1997) (citing *Cent. Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, at 61,338, *order on reh'g*, 61 FERC ¶ 61,089 (1992)).