

158 FERC ¶ 61,054  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

January 19, 2017

In Reply Refer To:  
California Independent System  
Operator Corporation  
Docket No. ER17-411-000

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

Attention: Andrew Ulmer

Dear Mr. Ulmer:

1. On November 22, 2016, the California Independent System Operator Corporation (CAISO) filed an executed Transferred Frequency Response Agreement (TFR Agreement) with the City of Seattle, by and through its City Light Department (Seattle), designated as Rate Schedule No. 86 (November 22 Filing). CAISO states that the TFR Agreement governs the terms and conditions under which Seattle will provide transferred frequency response to CAISO. CAISO further states that the Commission's September 16 Order<sup>1</sup> authorized CAISO to procure transferred frequency response from other balancing authorities as a means to comply with North American Electric Reliability Corporation (NERC) Reliability Standard BAL-003-1.1 – Frequency Response and Frequency Bias Setting (BAL-003-1.1) and, among other things, accepted CAISO's proposal to secure transferred frequency response through a competitive solicitation process.<sup>2</sup> In this order, we accept the TFR Agreement subject to the outcome of Docket Nos. ER16-1483-002 and ER16-1483-004, effective December 1, 2016, as discussed below.

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, 156 FERC ¶ 61,182 (2016) (September 16 Order).

<sup>2</sup> November 22 Filing at 2.

2. CAISO explains that it conducted a competitive solicitation to procure transferred frequency response pursuant to section 42.2 of its tariff. CAISO states that its competitive solicitation process included an evaluation of prior frequency response performance for each bidder as well as a comparison of the proposed cost of transferred frequency response to CAISO's estimation of the range of costs to procure additional regulation up capacity. Following its assessment, CAISO states that it negotiated with selected bidders to execute contracts for transferred frequency response and subsequently executed the TFR Agreement with Seattle. CAISO states that its competitive solicitation process was consistent with the Commission's guidelines regarding competitive solicitations and CAISO's proposal as described in the September 16 Order.<sup>3</sup>

3. Among other things, the TFR Agreement addresses the terms and conditions under which Seattle will provide transferred frequency response to CAISO. Under the TFR Agreement, Seattle will provide transferred frequency response and document its performance on the appropriate NERC compliance forms for the compliance year beginning December 1, 2016. Specifically, Seattle will adjust the transferred frequency response column of the applicable NERC compliance forms by the contract amount (15 MW/0.1 Hz) for the duration of the NERC compliance year.<sup>4</sup> Seattle will produce sufficient frequency response such that its frequency response measure<sup>5</sup> is greater than or equal to the contract amount.<sup>6</sup> CAISO has agreed to compensate Seattle for its performance.<sup>7</sup> In the event that CAISO or Seattle is subject to a regulatory inquiry or audit from NERC or the Western Electricity Coordinating Council (WECC) in connection to the transferred frequency response included in the TFR Agreement, the counterparties agree to cooperate.<sup>8</sup> Finally, if CAISO incurs fines or penalties from

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<sup>3</sup> November 22 Filing at 3.

<sup>4</sup> TFR Agreement, § 3.1. The BAL-003-1.1 compliance year is from December 1, 2016, to November 30, 2017.

<sup>5</sup> Frequency Response Measure is defined as "the median of all the Frequency Response observations reported annually by balancing authorities or Frequency Response Sharing Groups for frequency events specified by NERC under BAL-003-1.1. This measure will be calculated as MW/0.1Hz." TFR Agreement, § 1.6. *See also* NERC, Glossary of Terms Used in NERC Reliability Standards, at 6 (Dec. 12, 2016).

<sup>6</sup> TFR Agreement, § 3.2.

<sup>7</sup> *Id.*, § 4.1.

<sup>8</sup> *Id.*, §§ 3.3, 4.2.

the Commission, WECC, or NERC due to Seattle's failure to perform its obligations, then Seattle will be liable for the imposed fines or penalties.<sup>9</sup>

4. CAISO requests that the Commission accept the TFR Agreement to be effective as of December 1, 2016, the first day of the BAL-003-1.1 compliance year.

5. Notice of CAISO's filing was published in the *Federal Register*, 81 Fed. Reg. 86,325 (2016), with protests and interventions due on or before December 13, 2016. The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California, Powerex Corp., Southern California Edison Company, Pacific Gas and Electric Company, and Seattle filed timely motions to intervene.

6. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2016), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

7. In the September 16 Order, the Commission found that CAISO's proposal to procure transferred frequency response is a just and reasonable means to comply with BAL-003-1.1 and would help ensure that CAISO meets its frequency response obligations under the standard.<sup>10</sup> We find that CAISO's competitive solicitation process was conducted in a manner consistent with the Commission's guidelines and CAISO's description of the process that the Commission accepted in the September 16 Order. We also note that the filing was not protested. Additionally, it appears that CAISO's procurement of transferred frequency response from Seattle under the TFR Agreement is a lower-cost option for meeting its frequency response obligation than procuring additional regulation service.<sup>11</sup> For these reasons, we accept the TFR Agreement for filing, effective December 1, 2016, as requested, subject to the outcome of Docket

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<sup>9</sup> *Id.*, § 5.

<sup>10</sup> September 16 Order, 156 FERC ¶ 61,182 at P 44.

<sup>11</sup> *See* November 22 Filing, Attachment D (Testimony of Warren Katzenstein) at 5-6.

Nos. ER16-1483-002 and ER16-1483-004.<sup>12</sup> We also grant CAISO's request for waiver of the Commission's prior notice requirements.<sup>13</sup>

By direction of the Commission

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>12</sup> On September 28, 2016, Powerex Corp. filed a request for clarification of the September 16 Order in Docket No. ER16-1483-002. On October 14, 2016, the NRG Companies and the Western Power Trading Forum jointly filed a request for rehearing and clarification of the September 16 Order in Docket No. ER16-1483-002. On October 17, 2016, CAISO filed a request for clarification or, in the alternative, a request for rehearing of the September 16 Order in Docket No. ER16-1483-002. Also, on October 17, 2016, CAISO submitted a compliance filing in response to the directives in the September 16 Order in Docket No. ER16-1483-004. These filings are pending before the Commission.

<sup>13</sup> 18 C.F.R. § 35.11 (2016).