



California ISO

Executive Appeals Committee Meeting

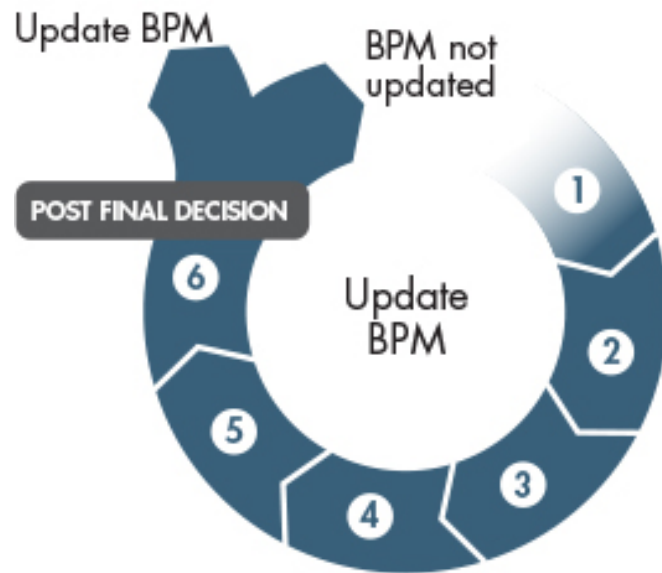
PRR 1122 / Outage Management BPM

February 19, 2020

Agenda

<u>TIME</u>	<u>TOPIC</u>	<u>SPEAKER</u>
1:00 - 1:05	Opening remarks from the Committee	Stacey Crowley, Vice President, External & Customer Affairs, California ISO
1:05 - 1:15	BPM Change Management process overview and PRR 1122 process timeline	Isabella Nicosia, Associate Stakeholder Engagement and Policy Specialist, California ISO
1:15 - 1:30	ISO staff perspective on PRR 1122	David Zlotlow, Sr Counsel, California ISO Abdulrahman Mohammed-Ali, Resource Management Specialist Lead, Operations Engineering Services, California ISO Dede Subakti, Director, Operations Engineering Services, California ISO
1:30 - 2:30	Appellant remarks and Q&A from the Committee	Rebecca Shelton/Bonnie Blair – Representing the Six Cities (Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, CA) Scott Ranzal - Representing Pacific Gas & Electric Company
2:30 - 3:00	Public stakeholder comments and Q&A from the Committee	Note: Comments will be limited to 5 minutes per stakeholder

BPM Change Management Process Overview



- 1 SUBMIT PRR**
Proposed Revision Request (PRR) submitted to the ISO
- 2 COMMENTS PERIOD**
Upon ISO acceptance, PRR becomes public and 10-business day comment period starts
- 3 STAKEHOLDER MEETING**
PRR details and comments reviewed and discussed
- 4 RECOMMENDATION**
ISO recommendation issued on PRR
- 5 COMMENTS ON RECOMMENDATION**
10-business day comment period open on recommendation
- 6 STAKEHOLDER MEETING ON RECOMMENDATION**
PRR recommendation and comments reviewed

Process Timeline for PRR 1122: Inappropriate Reporting of Forced Outages

<u>DATE</u>	<u>ACTION</u>
January 10, 2019	California ISO submitted PRR 1122 on the Outage Management BPM under the title of Inappropriate reporting of forced outages.
February 12, 2019	Initial comments received from Six Cities, PG&E, SCE, NCPA, and Calpine.
February 26, 2019	Initial BPM change management stakeholder meeting.
March 5, 2019	ISO recommendation and response to initial comments posted.
March 14 and 19, 2019	Recommendation comments received from NCPA and PG&E, respectively.
March 25, 2019	ISO response to recommendation comments posted.
March 26, 2019	Recommendation BPM change management stakeholder meeting.
April 1, 2019	ISO final decision posted and appeal period opened.
April 15 and 16, 2019	Appeal submitted by Six Cities and PG&E, respectively.
January 6, 2020	ISO posted answering brief to appeals.
January 21, 2020	Appellant reply briefs submitted by Six Cities and PG&E.
January 27, 2020	Stakeholder briefs submitted by SCE and NCPA.
February 19, 2020	Appeals Committee meeting.
March 11, 2020	ISO will post written decision of Executive Appeals Committee.
March 18, 2020	If appeal is approved, ISO implements Committee decision.
Next regularly scheduled Board meeting	If appeal is denied, appellants may bring issue to the Board.

ISO Staff Perspective on PRR 1122

Unique Aspects of PRR 1122 and the Appeals

- This is not a typical BPM policy dispute.
- The PRR involves statements of:
 - ISO's tariff/regulatory interpretation that conduct is prohibited
 - ISO's course of action if it suspects that conduct occurs
 - The appeals argue the legal interpretation is flawed
- Undoing PRR 1122 on appeal WOULD NOT:
 - Change ISO's view of prohibited conduct
 - Prevent ISO from raising issues of concern to DMM and/or FERC

What is Planned-to-Forced Outage reporting? Why Does it Matter?

- The term refers to:
 - Submitting a forced outage after the ISO has rejected the same (or substantially similar) outage when submitted as a maintenance outage
- Creates operational concerns because:
 - ISO cancelled the maintenance outage for a reason yet outage occurs.
 - Undermines ISO authority as grid operator when not done for bona fide reasons

Legal Issues with Planned-to-Forced Outages

- Two reasons why planned-to-forced outage reporting is suspect, *depending on the circumstances*:
 - Violation of ISO tariff, § 9.3.2 – taking outage for planned maintenance without ISO approval
 - Violation of 18 C.F.R. § 35.41(b) – providing false information by reporting forced outage that doesn't meet definition of forced outage
- Key question
 - At the time forced outage is submitted, is there a reason it could not have been submitted with more than seven days notice?

PRR 1122 is Appropriate Response to Conduct that is Operationally Problematic and Legally Suspect

- ISO could treat purely as enforcement/compliance matter with no accompanying BPM revisions
- PRR 1122 provides two important benefits:
 - Fair notice to participants of ISO's interpretation
 - Creates opportunity to avoid problems before they arise

Responding to Main Issues Raised on Appeal

- PRR 1122 directly states planned-to-forced outages reporting can be permissible
- PRR 1122 is not a policy change – it reinforces existing tariff authority and does not claim any new authorities
- ISO appropriately relied on the false information cases cited from FERC because they are the best evidence of FERC’s view
- Arguments about “gaming” or market manipulation are misplaced – PRR 1122 is not about market impacts
- Most cancelled maintenance outages are driven by failure to provide RA substitute capacity – cancellations typically are not random or unpredictable

Appellant Remarks

<u>Appellant</u>	<u>Speaker</u>
Six Cities (Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California)	Rebecca Shelton, Partner, Thompson Coburn LLP Bonnie Blair, Partner, Thompson Coburn LLP
Pacific Gas & Electric Company	Scott Ranzal, Director of Portfolio Management, Pacific Gas & Electric Company



PRR 1122: Inappropriate Reporting of Forced Outages

Appeal on Behalf of the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California

BPM Change Management
Appeals Committee Teleconference

February 19, 2020

Tariff Section 9.3.6.4.1(d)

- ▶ “A request to change an Approved Maintenance Outage that is submitted seven days or less prior to the start date for the Outage, if approved, will remain classified as a Maintenance Outage. If the request is not approved, the Scheduling Coordinator for the resource may submit a request for a new Forced Outage for the schedule change.”
- ▶ Expressly provides for re-submitting a rejected Maintenance Outage as a Forced Outage
- ▶ Inconsistent to allow a planned-to-forced outage where the CAISO rejects a change but not when the CAISO rejects an outage in the first instance

Tariff Section 9.3.10.6

- ▶ Section 9.3.10.6 states that the ISO “shall consider” if it “had recently rejected a request for an Outage for . . . the Generating Unit experiencing the Forced Outage” when determining “that any Forced Outage may have been the result of gaming or other questionable behavior by the Operator.”
- ▶ Does not support the more expansive language in PRR 1122
- ▶ PRR 1122 creates a presumption that submission of a planned-to-forced outage by itself is false or misleading
- ▶ Section 9.3.10.6 considers submission of a planned-to-forced outage as one of many factors used to consider whether such a submission may signal that gaming has occurred

BPM Provisions

- ▶ BPM for Outage Management v. 22, Section 2.4
 - ▶ Outages are classified as “ISO Forced if submitted 8 days or less in advance of the outage start day.” The same page states that “the ISO runs daily feasibility outage analysis on a 4 day rolling basis for Maintenance Outages submitted up to one calendar day prior to the Reliability Coordinator’s OPA lockdown time. . . . Outages are designated as ISO Forced Outages.”
 - ▶ This language indicates that Maintenance Outages may be submitted less than eight days prior to the start of the Outage but will be classified as Forced Outages
- ▶ BPM for Outage Management v. 22, Section 4.1
 - ▶ “A request for a Maintenance Outage that is submitted seven days or less prior to the start date for the Outage shall be classified as a Forced Outage.”

BPM Provisions

- ▶ BPM for Outage Management v. 22, Section 11.1.5
 - ▶ Includes a chart showing various categories of outages for RA resources and included in the last line of the chart Forced Outages submitted 7 days or less prior to the outage start date and treated as “Forced Outage subject to RAAIM depending on nature of work.”
- ▶ BPM for Reliability Requirements, v. 46, Section 9.3.3
 - ▶ Lists the Nature of Work Attributes for Forced Outages. Among these attributes is “Plant Maintenance,” indicating that Maintenance Outages are appropriate within the Forced Outage time frame.

18 C.F.R. § 35.41(b)

- ▶ “Communications. A Seller must provide accurate and factual information and not submit false or misleading information, or omit material information, in any communication with the Commission, Commission-approved market monitors, Commission-approved regional transmission organizations, Commission-approved independent system operators, or jurisdictional transmission providers, unless Seller exercises due diligence to prevent such occurrences.”

FERC precedent applying Section 35.41(b)

- ▶ *J.P. Morgan Ventures Energy Corp.*, 141 FERC ¶ 61,131 (2012)
 - ▶ FERC found violations of section 35.41(b) where JP Morgan made false assertions, false statements, and omissions in communications with the CAISO DMM and FERC
- ▶ *City Power Marketing, LLC*, 152 FERC ¶ 61,012, at P 216 (2015)
 - ▶ City Power made misleading statements and omitted material information to Office of Enforcement Staff regarding the existence of certain material evidence, thus violating section 35.41(b).

Deutsche Bank Energy Trading, LLC, **142 FERC ¶ 61,056 (2013).**

- ▶ *Deutsche Bank* is an Order approving a Stipulation and Consent Agreement, which is not precedential.
- ▶ *Deutsche Bank*'s actions were part of a scheme to manipulate the value of its CRRs.
- ▶ *Deutsche Bank* classified transactions as wheeling despite their failure to satisfy clearly stated Tariff requirements with the intent to benefit its CRR position.

Definition of “Forced Outage”

- ▶ Forced Outage: “An Outage for which sufficient notice cannot be given to allow the Outage to be factored into the Day-Ahead Market or RTM bidding processes.”
- ▶ Section 6.1.4 of the BPM for Market Operations: Outages can be reflected in the Day-Ahead Market optimization until at least 72 hours prior to the Trading Day.
 - ▶ “Three days before the Trading Day, the DAM (via the outage management system application) is ready to process Outage information for the DAM applications: . . . Planned Generating Unit Outage requests received 72 hours in advance for all types of units”

Stakeholder Comments

Note: *Comments will be limited to 5 minutes per stakeholder*

Next Steps

- The ISO will post the written decision of the Executive Appeals Committee to the [BPM Change Management webpage](#) by March 11, 2020.
- If the appeal is approved, the ISO will implement the Committee decision on March 18, 2020.
- If the appeal is denied, appellants may bring this issue to the next regularly scheduled Board meeting.