

April 25, 2024

The Honorable Debbie-Anne A. Reese
Acting Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Tariff Clarification - Non-Generator Resource Bidding Requirements
in Residual Unit Commitment Process**

Docket No. ER24-_____ -000

Dear Secretary Reese:

The California Independent System Operator Corporation (CAISO)¹ submits this tariff amendment to remove language in the CAISO tariff that states non-generator resources with resource adequacy capacity have a requirement to submit \$0/MW availability bids in the residual unit commitment (RUC) process. This language is not consistent with the CAISO's current practices, which do not support the submission of RUC availability bids by non-generator resources. The CAISO has discussed this proposed tariff change with stakeholders who have not raised concerns. The CAISO respectfully requests that the Commission accept this tariff amendment effective June 25, 2024, 61 days from this filing.

I. Background

The CAISO administers day-ahead and real-time wholesale electricity markets within the CAISO balancing authority area. Relevant to this filing, the day-ahead market includes four sequential processes: (1) bid submission; (2) market power mitigation for the integrated forward market (the IFM); (3) the IFM; and (4) the residual unit commitment (RUC) process. RUC is a physical market process that procures incremental capacity to meet the CAISO balancing area's load forecast.² RUC bases the need for incremental capacity on the difference between physical supply that clears the IFM and physical supply needed to meet the CAISO's forecast of demand.

¹ The CAISO submits this filing pursuant to Section 205 of the Federal Power Act (FPA), 16 U.S.C. § 824d, and Part 35 of the Commission's regulations, 18 C.F.R. Part 35. Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the currently effective CAISO tariff.

² CAISO tariff section 31.5, et seq.; tariff appendix A, definition of Residual Unit Commitment.

The CAISO selects and commits RUC capacity not already scheduled in the IFM based on the merit order of submitted RUC availability bids.³ This process bridges any gaps between the IFM – a financial market that clears economic supply and demand bids – and the forecasted needs for physical resources in real-time. Resources receiving a RUC availability award generally receive a RUC availability payment in addition to payment for any energy awarded through the real-time market; although, the CAISO can rescind the RUC payment if the capacity is not delivered. These compensation rules do not apply to resource adequacy capacity, which generally has a must offer obligation in the day-ahead market. Resource adequacy capacity receiving a RUC award is ineligible for RUC compensation because being available in RUC is part of the resource’s resource adequacy obligation.

In 2015, the CAISO submitted tariff revisions as part of a reliability services initiative, which, among other things, established the CAISO’s resource adequacy availability incentive mechanism.⁴ In addition, the CAISO proposed to modify existing tariff provisions regarding the must-offer obligations of specified types of resource adequacy resources, including non-generator resources. In that filing, the CAISO proposed to add new tariff rules to establish day-ahead and real-time must-offer obligations for non-generator resources. In the day-ahead market, the CAISO proposed must-offer requirements for non-generator resources that do not use regulation energy management.⁵ The CAISO proposed these resources would need to submit economic bids or self-schedules into the IFM, and submit \$0/MW RUC availability bids for all resource adequacy capacity in all hours of the month the resource is physically capable of operating. The CAISO explained that the provisions would fill a gap in the tariff, *i.e.*, lack of a must-offer obligation for non-generator resources that are resource adequacy resources. The Commission accepted these tariff revisions.

II. Proposed Tariff Modification

The CAISO proposes to remove language in the CAISO tariff that states non-generator resources with resource adequacy capacity that do not use regulation energy management have a requirement to submit \$0/MW availability bids in the RUC

³ Existing tariff section 31.5.5.

⁴ CAISO Tariff Amendment to Implement Phase 1A of Reliability Services Initiative submitted in docket ER15-1825. *See also Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,002 (2015).

⁵ Regulation energy management is a CAISO market feature for resources located within the CAISO Balancing Authority Area that require Energy from the Real-Time Market to offer their full capacity as Regulation. Resources using regulation energy management only provide regulation up and regulation down in the CAISO’s markets.

process.⁶ The CAISO's business processes do not currently support the submission of RUC availability bids by non-generator resources. Instead, RUC holds the energy schedules (charging and discharging) of non-generator resources as they have cleared the IFM. Non-generator resources with resource adequacy capacity are subject to the requirement to submit economic bids or self-schedules into the IFM for all resource adequacy capacity for all hours of the month the resource is physically capable of operating.⁷ Resource adequacy capacity from these resources is also subject to real-time must offer obligations.⁸ These rules will remain in place.

Based on a review of materials leading to the CAISO's 2015 filing in docket ER15-1825 and Business Practice Manuals that existed at that time, the CAISO made a mistake when it proposed language to require non-generator resources with resource adequacy capacity to submit \$0/MW RUC availability bids for all resource adequacy capacity. The CAISO's filing, the CAISO's Business Practice Manual for Market Instruments states that non-generator resources are not eligible to participate in RUC.⁹

Although it appeared reasonable to propose a change to the tariff to require non-generator resources with resource adequacy capacity to submit \$0/MW RUC availability bids, this proposal did not account for the fact non-generator resources submit economic bids across both a continuous charging and discharging range to obtain feasible schedules through the IFM. Requiring these resources to submit \$0/MW RUC availability bids poses a problem for the CAISO's existing RUC process, which only commits additional capacity. When RUC commits additional capacity it could undermine the economic charging schedule of a non-generator resource that cleared IFM. The CAISO did not operationalize the requirement for non-generator resources with resource adequacy capacity to submit RUC availability bids. Market participants are aware of this fact and scheduling coordinators for non-generator resources do not submit RUC availability bids. Therefore, it is reasonable and appropriate to remove the language in the CAISO tariff to ensure the CAISO tariff reflects its current business practices.

The CAISO is planning to activate functionality in the future so that non-generator resources can participate in RUC to offer both incremental and decremental capacity. As part of its day-ahead market enhancements accepted by the Commission in

⁶ See redline changes to CAISO tariff section 40.6.1.1(b)(1)(B) in Attachment B hereto. The changes also consolidate subsection 40.6.1.1(b)(1)(A) into subsection 40.6.1.1(b)(1).

⁷ CAISO tariff section 40.6.1.1(b)(1)(A).

⁸ CAISO tariff section 40.6.2(g).

⁹ CAISO's Business Practice Manual for Market Instruments at Section 7.1.

December 2023,¹⁰ the CAISO will allow non-generator resources to submit economic bids in RUC across a charging and discharging range. Under these enhancements, all resource adequacy capacity must submit bids for a new product - reliability capacity up. A significant change from the current RUC paradigm is that resources with resource adequacy capacity will be able to submit economic bids for reliability capacity up and retain any revenues from clearing RUC. The CAISO will not require resource adequacy capacity to submit bids for reliability capacity down. However, all resources, including non-generator resources, will be able to do so. The CAISO is targeting implementation of these enhancements in the spring of 2026.

III. Stakeholder Process

The CAISO posted on its website a description of the tariff change proposed in this filing on April 4, 2024. The CAISO held a stakeholder call on April 15, 2024 to explain the proposed change and answer any questions.¹¹ No stakeholder expressed concerns with the CAISO's proposed change. The CAISO appreciates stakeholders' ongoing efforts to help ensure the CAISO's tariff adheres to its current practices.

IV. Effective Date

The CAISO respectfully requests an effective date for this tariff amendment of June 25, 2024, 61 days from the date of this filing.

¹⁰ *Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210 (2023).

¹¹ Materials and a video of this stakeholder discussion is available on the CAISO website: <https://www.caiso.com/informed/Pages/MeetingsEvents/MiscellaneousStakeholderMeetings/Default.aspx>.

V. Communications

In accordance with Rule 203(b)(3) of the Commission's Rules of Practice and Procedures,¹² the CAISO requests that all communications regarding this filing should be addressed to the following individual, whose name should be put on the official service list established by the Commission with respect to this submittal:

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VI. Service

The CAISO has served copies of this transmittal letter, and all attachments, on the California Public Utilities Commission, the California Energy Commission, and parties with effective scheduling coordinator service agreements under the CAISO tariff. In addition, the CAISO is posting this transmittal letter and all attachments on the CAISO Website.

VII. Materials Provided In This Filing

The following documents, in addition to this transmittal letter, support this filing:

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|--------------|---|
| Attachment A | Clean CAISO tariff sheets incorporating these requested tariff changes; and |
| Attachment B | Red-lined document showing the revisions proposed in this tariff amendment. |

¹² 18 C.F.R. § 385.203(b)(3).

VIII. Conclusion

In this filing, the CAISO proposes amendments to its tariff to remove language that states non-generator resources with resource adequacy capacity have a requirement to submit \$0/MW availability bids in the RUC process. This language is not consistent with the CAISO's current practices, which do not support the submission of RUC availability bids by non-generator resources.

Please do not hesitate to contact the undersigned if you have any questions.

Respectfully submitted,

/s/ Andrew Ulmer

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Attachment A – Clean Tariff

Tariff Clarification – Non-Generator Resource Bidding Requirements in RUC

California Independent System Operator Corporation

April 25, 2024

40.6.1.1 Day-Ahead Availability - Specific RA Resource Types

- (a) **Distributed Generation Facilities.** Distributed Generation Facilities shall comply with the IFM and RUC bidding requirements that apply to the same technology type of a resource connected to the CAISO Controlled Grid.
- (b) **Non-Generator Resources**
 - (1) Non-Generator Resources that do not use Regulation Energy Management shall submit Economic Bids or Self-Schedules into the IFM for all RA Capacity for all hours of the month the resource is physically capable of operating.
 - (2) Non-Generator Resources using Regulation Energy Management shall submit Economic Bids or Self-Schedules into the IFM for all RA Capacity for Regulation for all hours of the month the resource is physically capable of operating.
- (c) **Extremely Long-Start Resources.** Extremely Long-Start Resources that are Resource Adequacy Resources must make themselves available to the CAISO by complying with:
 - (1) the Extremely Long-Start Commitment Process under Section 31.7 or otherwise committing the ELS Resource upon instruction from the CAISO, if physically capable; and
 - (2) the applicable provisions of Section 40.6.1 regarding Day-Ahead availability for the Trading Days for which it was committed.

Attachment B – Marked Tariff

Tariff Clarification – Non-Generator Resource Bidding Requirements in RUC

California Independent System Operator Corporation

April 25, 2024

40.6.1.1 Day-Ahead Availability - Specific RA Resource Types

- (a) **Distributed Generation Facilities.** Distributed Generation Facilities shall comply with the IFM and RUC bidding requirements that apply to the same technology type of a resource connected to the CAISO Controlled Grid.
- (b) **Non-Generator Resources**
- (1) Non-Generator Resources that do not use Regulation Energy Management shall submit:
- ~~(A) — Economic Bids or Self-Schedules into the IFM for all RA Capacity for all hours of the month the resource is physically capable of operating; and~~
- ~~(B) — \$0/MW RUC Availability Bids for all RA Capacity for all hours of the month the resource is physically capable of operating;~~
- (2) Non-Generator Resources using Regulation Energy Management shall submit Economic Bids or Self-Schedules into the IFM for all RA Capacity for Regulation for all hours of the month the resource is physically capable of operating.
- (c) **Extremely Long-Start Resources.** Extremely Long-Start Resources that are Resource Adequacy Resources must make themselves available to the CAISO by complying with:
- (1) the Extremely Long-Start Commitment Process under Section 31.7 or otherwise committing the ELS Resource upon instruction from the CAISO, if physically capable; and
- (2) the applicable provisions of Section 40.6.1 regarding Day-Ahead availability for the Trading Days for which it was committed.