

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System
Operator Corporation**

Docket No. ER16-897-000

**PETITION FOR LIMITED TARIFF WAIVER OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (CAISO)¹ respectfully requests a temporary suspension of the effectiveness, or limited waiver, of section 43.1 of the CAISO tariff, the entirety of section 43A of the CAISO tariff, and revisions to sections 34.11, 39.10.3, 39.10.4, and 40.4.6.2 that otherwise would have an effective date of May 1, 2016. Due to ongoing implementation issues the CAISO cannot enact either the replacement capacity procurement mechanism (CPM) or its sibling, phase 1A of the reliability services initiative, on May 1.² The CAISO accordingly requests waiver of the identified tariff provisions to June 1, 2016.

Because of the limited amount of time before the current implementation date of May 1, 2016, the CAISO respectfully requests that the Commission provide for a shortened comment period of no more than 7 calendar days from

¹ The CAISO submits this petition for waiver pursuant to Rule 207 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.207. Capitalized terms not otherwise defined herein have the meanings set forth in the CAISO tariff.

² In a separate filing in docket number ER15-1825, the CAISO simultaneously requests a corresponding waiver to delay implementation of phase 1A of the reliability services initiative.

the date of the filing, *i.e.*, no later than April 27, 2016, and that the Commission issue an order on this request by April 29, 2016.

I. Background

A. Capacity Procurement Mechanism Replacement Tariff Filing

On May 26, 2015, the CAISO filed proposed tariff amendments in docket number ER15-1783 to extend the effectiveness of its expiring CPM from February 16, 2016, through February 28, 2016, and implement the successor CPM that would apply to CPM designations effective on or after March 1, 2016. The CAISO viewed phase 1A of the reliability services initiative and the CPM replacement as sibling initiatives that were developed in parallel and intended for simultaneous implementation. On October 1, 2015, the Commission issued an order accepting those amendments.³

On February 4, 2016, the CAISO filed revised tariff language in docket number ER16-897 to extend the duration of the CAISO's otherwise expiring CPM from February 28, 2016 to March 31, 2016, and implement the new CPM for designations effective on or after April 1, 2016. Based on party comments and events that occurred after the February 4 filing, the CAISO indicated in a February 18, 2016, answer to comments that it would be appropriate to further delay implementation to May 1, 2016. On February 24, 2016, the Commission approved the proposed shift in implementation to May 1,⁴ subject to a further

³ *California Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,001 (2015) (October 2015 CPM order).

⁴ *California Indep. Sys. Operator Corp.*, 154 FERC ¶ 61,132 (2016).

compliance filing formally revising the effective date of the relevant tariff provisions. The CAISO made that compliance filing on March 10, 2016.

B. Reliability Services Phase 1A Tariff Filing

On May 29, 2015, the CAISO filed proposed tariff modifications in docket number ER15-1825 to implement phase 1A of the two-phase reliability services initiative. Phase 1A focused on enhancing and streamlining the CAISO's rules and processes regarding resource adequacy to meet the needs of an increasingly dynamic power grid. On October 1, 2015, the Commission issued an order conditionally accepting those amendments.⁵

On February 4, 2016, the CAISO filed in docket number ER15-1825 a petition for limited waiver (and also on February 4, an errata to that petition) of the reliability services initiative phase 1A tariff provisions with a March 1, 2016, effective date. The waiver requested that the Commission suspend the effectiveness of the modifications with a March 1, 2016, effective date until April 1, 2016. Based on party comments and events that occurred after the February 4 filing, the CAISO indicated in a February 18, 2016, answer to comments that it would be appropriate to further delay implementation to May 1, 2016. On February 24, 2016, the Commission approved a May 1 effective date,⁶ subject to a further compliance filing formally revising the effective date of the relevant tariff provisions. The CAISO made that compliance filing on March 10, 2016.

⁵ *California Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,002 (2015) (October 2015 RSI order).

⁶ *California Indep. Sys. Operator Corp.*, 154 FERC ¶ 61,131 (2016).

II. Continuing Implementation Complications

As explained at length in the CAISO's February 4 tariff amendment and the February 18 answer in docket number ER15-1783, it is important to the CAISO and its market participants that the CAISO not deploy a new market functionality that has not met internal CAISO quality metrics and for which market participants have not been provided a robust market simulation environment. Unfortunately, given continuing challenges in implementing the paired CPM replacement and reliability services initiative phase 1A initiatives, the CAISO is unable to meet the May 1, 2016 implementation date. The most notable of these challenges is that the CAISO encountered issues with the key application that was necessary to run the structured market simulation scenarios. This in turn required the CAISO to reschedule the needed three-week period of structured market simulation from April 4 through April 22 to April 18 through May 6. With the market simulation not scheduled for completion until after the current May 1 implementation date, the current tariff-based implementation date is impracticable.

As explained in prior filings in this proceeding, the CPM replacement and reliability services phase 1A initiatives need to be implemented on the first day of a month.⁷ Also, the two initiatives are inextricably paired and must be implemented on the same day. The feasibility of implementing these mechanisms on June 1 (*i.e.*, the next potential implementation date) depends on

⁷ February 4 CPM amendment at 5 ("As discussed, the CPM and reliability services phase 1A initiatives need to be implemented on the first day of a month. Because the March 1 date is no longer viable, the next viable date is April 1.").

meeting several key milestones. The first of those milestones is successful execution of the structured market simulation scenarios.⁸ Another milestone is the CAISO producing settlement statements based on the structured market simulation scenarios and market participants validating those simulated settlement statements. A third milestone prior to implementation is resolving any software variance with either a “critical” or “high” rating identified during the simulation scenarios or review of the simulated settlement statements. If these milestones are met, then proceeding with a June 1 implementation is viable.

The CAISO and its market participants should have a strong indication of the likelihood of meeting these milestones within a few days of the close of the market simulation of May 6. If, at any point, the CAISO concludes that implementing on June 1 would be imprudent, then the CAISO will request additional relief from the Commission. That additional relief most likely would constitute a further implementation delay until November 1, 2016, not July 1 or some other intermediate date.

Implementing the reliability services phase 1A and the new resource adequacy availability incentive mechanism (RAAIM) at the beginning of any of the summer months after June could be problematic for system reliability and operational reasons. The reliability services phase 1A includes an initial two-month advisory period during which “the CAISO will calculate and publish the Availability Incentive Payments and Non-Availability Charges on Settlement

⁸ More information on the simulation scenarios is provided in the CAISO’s Market Simulation Plan, *available at* <https://www.caiso.com/Documents/MarketSimulationPlanEarly2016Release.pdf>.

Statements but will not include those payments and charges on Invoices for financial settlement.”⁹ At the same time, as part of the policy agreed upon among the CAISO and stakeholders (and approved by the Commission) the standard capacity product (SCP), which the RAIM replaces, terminates at the beginning of this initial two-month period.¹⁰ The result is that for the first two months of reliability services phase 1A, the CAISO will not have any clearly defined tariff-based financial consequences to levy against resource adequacy resources that fail to perform up to expected standards.

When implementation was planned for March 1, the CAISO viewed this two-month gap as an acceptable trade-off. The closer this gap period gets to the peak load months, the less acceptable this trade-off becomes. Operationally, the CAISO can accept the advisory period occurring during June and July. However, even if the CAISO’s internal quality metrics and market simulation exit criteria were met in time for a July 1 implementation date, the CAISO would view it as an unacceptable risk to have no performance consequences in place for resource adequacy resources in August, September, or October. Peak load conditions typically occur in southern California in August and September and have occurred as late as October. The CAISO thus requests waiver until June 1, 2016, of section 43.1 of the CAISO tariff, the entirety of section 43A of the CAISO tariff, and the revisions to sections 34.11, 39.10.3, 39.10.4, and 40.4.6.2 that

⁹ CAISO tariff, section 40.9.1.

¹⁰ Even if the Commission were to reconsider this aspect of the initiative, given how the software has been designed to this point, it is infeasible for the CAISO to maintain the SCP in effect during this advisory period.

have an effective date of May 1, 2016. The request is made with the further understanding that if any additional delay were necessary past June 1, then the CAISO most likely would seek that further delay to November 1, 2016.

III. Petition for Waiver

Good cause exists for the Commission to grant a limited waiver to suspend until June 1, 2016, the effectiveness of section 43.1 of the CAISO tariff, the entirety of section 43A of the CAISO tariff, and the revisions to sections 34.11, 39.10.3, 39.10.4, and 40.4.6.2 that have an effective date of May 1, 2016.

The Commission previously has granted requests for tariff waivers in situations where (1) the waiver is of limited scope; (2) a concrete problem needs to be remedied; and (3) the waiver did not have undesirable consequences, such as harming third parties.¹¹ This waiver petition meets all three conditions. The waiver is of limited scope in that it will apply until June 1, 2016, and the CAISO has detailed above its plan for working diligently with stakeholders to meet this revised implementation date. The waiver also will remedy a concrete problem – the CAISO’s inability to implement the tariff provisions in question effectively on May 1, 2016, because additional time is needed for testing and addressing any software variances highlighted through that testing. Additionally, given the delays to date in the market simulation procedures, the CAISO does not believe that market participants necessarily would be prepared to begin operating under the procedures on May 1. Further, the waiver will not have undesirable

¹¹ See, e.g., *N.Y. Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,061, P 19 (2014); *PJM Interconnection, L.L.C.*, 146 FERC ¶ 61,041, P 5 (2014); *ISO New England, Inc.*, 134 FERC ¶ 61,182, P 8 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,004, P 10 (2010).

consequences because granting the waiver merely would maintain the status quo for a relatively brief period of time while the CAISO and its market participants undertake the necessary rounds of market simulation and other final pre-implementation steps. Rather, this waiver will avoid undesirable consequences by ensuring a production-worthy project is implemented in a way that accounts for important reliability concerns. Therefore, good cause exists to grant the CAISO's request for limited waiver of the current effective date of May 1 for the tariff revisions covered by this request.

IV. Request for Shortened Comment Period

Because of the limited amount of time before the current effective date of May 1, 2016, the CAISO respectfully requests that the Commission provide for a shortened comment period regarding this petition for limited tariff waiver of no more than 7 calendar days from the date of this filing.

V. Conclusion

For the foregoing reasons, the Commission should find that good cause

exists to grant a limited waiver to permit the revised CPM and phase 1A of the reliability services initiative, which otherwise would become effective as of May 1, 2016, to be implemented on June 1, 2016.

Respectfully submitted,

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| Dated: April 20, 2016

CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 20th day of April, 2016.

/s/ Martha Sedgley
Martha Sedgley