

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

**Offer Caps in Markets Operated by)
Regional Transmission) Docket No. RM16-5-000
Organizations and Independent)
System Operators)**

**MOTION FOR EXTENSION OF TIME OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (CAISO) respectfully requests that the Commission extend the deadline for the CAISO to submit a filing to comply with Order No. 831,¹ from the current Commission-established deadline of May 1, 2018 to July 1, 2018.² The CAISO expects that this two-month extension will provide the CAISO and stakeholders sufficient time to review and consider proposed tariff revisions necessary to comply with Order No. 831, which are an integral part of the CAISO's proposed tariff revisions to implement market rules changes arising out of the Commitment Cost and Default Energy Bid Enhancements (CCDEBE) stakeholder initiative.

As explained in the CAISO's first request for an extension of time to comply with Order No. 831, which the CAISO filed last year, the CAISO does not have measures to comply with Order No. 831 and had to develop procedures

¹ *Offer Caps in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 831, FERC Stats. & Regs. ¶ 31,387 (2016) (Order No. 831), *order on reh'g and clarification*, Order No. 831-A, 161 FERC ¶ 61,156 (2017) (Order No. 831-A).

² The CAISO submits this motion pursuant to Rules 212 and 2008(a) of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.2008(a) (2018). Pursuant to Rule 213(d)(1)(i), 18 C.F.R. § 385.213(d)(1)(i), any answers to the motion will be due within five days after it was filed unless otherwise ordered by the Commission.

and rules that would meet the Order's requirements consistent with its overall market rules. The CAISO developed these rules in the context of the CCDEBE initiative, in which the CAISO considered providing market participants greater flexibility in bidding their commitment costs along with necessary mitigation. The CAISO has completed its stakeholder process and the CAISO Board of Governors has approved the proposed changes. The CAISO now requires additional time to complete stakeholder review of the proposed tariff changes and make its filing with the Commission. The CAISO anticipates it will implement the CCDEBE and Order No. 831 changes in the fall of 2018, if approved by the Commission. The requested extension will not affect the expected activation date. Furthermore, the Commission could not consider the CAISO's compliance filing without also considering the CCDEBE changes because the CAISO's current tariff lacks the additional market rule changes that enable the Order No. 831 requirements. Granting a modest two-month extension of time will ensure that the Commission has the complete set of proposed rule changes to consider the CAISO's Order No. 831 compliance filing.

I. Background

On November 17, 2016, the Commission issued Order No. 831, which directed each Independent System Operator (ISO) and Regional Transmission Organization (RTO) to submit a compliance filing to modify its tariff to the extent needed to satisfy the directives in the Order regarding caps on incremental energy offers (*i.e.*, the portion of a resource's energy supply offer that varies with output or level of demand reduction). Order No. 831 directed each ISO or RTO to cap a resource's incremental energy offer at the higher of \$1,000 per

megawatt-hour (MWh) or the resource's verified cost-based incremental energy offer.³ The Commission also directed each ISO or RTO to cap cost-based incremental energy offers at \$2,000/MWh for purposes of calculating locational marginal prices (LMPs).⁴

Further, the Commission directed each ISO or RTO or its market monitoring unit to verify the actual or expected costs underlying a resource's cost-based incremental energy offer above \$1,000/MWh before that offer can be used for purposes of calculating LMPs.⁵ The Commission required each ISO or RTO to explain in its compliance filing what factors it or its market monitoring unit will consider in the verification process for cost-based incremental energy offers above \$1,000/MWh and whether such factors are currently considered in existing market power mitigation provisions or whether new practices or tariff provisions are necessary given the Order No. 831 verification requirement.⁶ The Commission stated that, in creating such a verification process, "we expect that the RTO/ISO would build on its existing mitigation processes for calculating or updating cost-based incremental energy offers."⁷ The Commission directed each

³ Order No. 831 at PP 42, 78.

⁴ *Id.*

⁵ *Id.* at PP 42, 140. The Commission directed that if a resource submits an incremental energy offer above \$1,000/MWh and the costs underlying that offer cannot be verified before the market clearing process begins, that offer may not be used to calculate LMPs and the resource would be eligible for a make-whole payment if the resource is dispatched and its costs are verified after-the-fact. A resource would also be eligible for a make-whole payment if it is dispatched and its verified cost-based incremental energy offer exceeds \$2,000/MWh. *Id.* at PP 42, 140. The Commission directed that all resources, regardless of type, are eligible to submit cost-based incremental energy offers in excess of \$1,000/MWh. *Id.* at PP 42, 156.

⁶ *Id.* at P 141.

⁷ *Id.*

ISO or RTO to submit a compliance filing to comply with Order No. 831 within 75 days after the effective date of the Order, *i.e.*, by May 8, 2017.⁸

On May 1, 2017, the CAISO filed a motion for extension of time in this proceeding to submit its Order No. 831 compliance filing up to a year later, by May 1, 2018 (May 2017 Motion). The CAISO explained that, unlike other ISOs and RTOs, the CAISO does not currently have a process to verify supplier costs prior to market clearing and thus needed to develop such a process with stakeholder input. The CAISO noted, however, that it had initiated the CCDEBE stakeholder process in late 2016 to address stakeholder concerns that the CAISO's current market design introduces risks that their resources could be inaccurately valued in the CAISO market processes. The CAISO explained that as part of this process, it was examining potential methodologies for market participants to submit cost-based bids or for the CAISO to verify costs based on information provided by market participants. In light of the need to carefully design and implement the verification procedures required in Order No. 831 in a manner consistent with the CAISO's larger market design efforts, the CAISO stated that it intended to develop those procedures in conjunction with its CCDEBE initiative.⁹ The CAISO explained that attempting to carry out any or all of the Order No. 831 directives separately from the CCDEBE stakeholder process would risk inconsistent design approaches, which would undermine the

⁸ *Id.* at P 220. Order No. 831 was published in the Federal Register on December 5, 2016 and became effective February 21, 2017. Therefore, the ISO and RTO compliance filings were due by May 8, 2017.

⁹ Materials related to the CCDEBE initiative are available on the CAISO website at http://www.caiso.com/informed/Pages/StakeholderProcesses/CommitmentCosts_DefaultEnergyBidEnhancements.aspx.

efficient functioning of the CAISO markets and likely require further modifications to address those consequences.

At the time the CAISO filed the May 2017 Motion, it had posted an issue paper for stakeholder review, solicited written comments on the issue paper, and held multiple working group meetings in the CCDEBE stakeholder process. The CAISO requested a one-year extension of time to submit its Order No. 831 compliance filing so that it had sufficient time to develop and implement tariff provisions necessary to verify cost-based energy bids over \$1,000/MWh pursuant to the CCDEBE stakeholder process. On May 11, 2017, the Commission issued a notice of extension of time granting the CAISO's May 1, 2017 request.

II. Motion for Extension of Time

The CAISO respectfully requests a two-month extension of time – until July 1, 2018 – to submit its revisions to comply with Order No. 831. The CAISO will submit its Order No. 831 compliance filing separately from its CCDEBE proposed tariff revisions. However, the CAISO must submit the two filings contemporaneously because the cost verification procedures it proposes to adopt to meet the Order No. 831 compliance requirements are dependent on the procedures it developed and will adopt as part of the CCDEBE initiative. Good cause exists to grant the requested extension, because the CAISO and stakeholders require the additional two months to consider and review carefully the proposed implementing tariff language prior to filing, and for the CAISO to prepare and submit both filings.

Since the CAISO filed its original motion for an extension of time last May, the proposals in the CCDEBE stakeholder process, which include the changes necessary to comply with Order No. 831, have progressed considerably. The CAISO has completed the policy development stage of the CCDEBE stakeholder process. The CAISO held a technical working group meeting, issued four successive proposals (a straw proposal, a draft final proposal, a first revised draft final proposal, and most recently a second revised draft final proposal) since that time, held multiple stakeholder meetings, and solicited input from stakeholders at each stage of this process.

On March 22, 2018, the CAISO Board of Governors authorized the CAISO to file a tariff amendment to implement the policy reflected in the second revised draft final proposal. The CAISO is currently in the process of preparing for stakeholder review of the implementing tariff modifications, which it plans to post for stakeholder review and input in the next few weeks. Due to the complexity of the various CCDEBE tariff revisions and the number of affected tariff sections, the CAISO anticipates that at least two rounds of meetings with stakeholders will be needed before the CAISO can finalize the tariff revisions and prepare the amendment for filing with the Commission.

For these reasons, it is appropriate for the Commission to grant the CAISO an additional two-month extension of time to comply with Order No. 831. No party will be prejudiced or harmed by this extension. To the contrary, the additional time is expressly to ensure that the CAISO can solicit and consider stakeholder input in the development of the tariff modifications necessary to

implement the CCDEBE initiative, including the cost verification process required to comply with Order No. 831.

Moreover, as previously noted, the CAISO does not currently have measures in place necessary to comply with Order No. 831 and is developing these procedures in the context of the CCDEBE initiative. The CAISO implements one major software release in the fall of each year to effect changes that impact its systems and those of its stakeholders significantly. The CAISO has scheduled the CCDEBE and the Order No. 831 changes for the fall 2018 release. Therefore, allowing the additional time to submit the compliance filing will not delay the implementation date of the new market rules.

III. Conclusion

For the foregoing reasons, the ISO respectfully requests that the Commission granting a two-month extension of time, until July 1, 2018, to submit the tariff revisions to comply with Order No. 831.

Respectfully submitted,

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