

**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 MODEST 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-approved date of August 30, 2019 to September 5, 2019.² The CAISO's compliance with Order No. 831 depends on CAISO's implementation of the cost verification and default energy bid rules currently being developed in the CAISO's Commitment Cost and Default Energy Bid Enhancements (CCDEBE) stakeholder initiative. The CAISO is preparing to file CCDEBE tariff modifications today, and will submit its Order No. 831 compliance filing by September 5, 2019. As a result, the CAISO will not be able to submit *both* of these filings by the August 30, 2019 deadline as it had intended. The CAISO is requesting a brief

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.

extension until September 5, 2019, to allow it time to submit its CCDEBE tariff modifications ahead of the Order No. 831 compliance filing.

Good cause exists to grant the requested extension. The CCDEBE tariff revisions, which will be filed separately today under Section 205 of the FPA, are critical components of the CAISO's ability to comply with Order No. 831, and need to be filed ahead of the Order No. 831 compliance filing. The CAISO anticipates it will implement the Order No. 831 changes in the fall of 2020.

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

³ Order No. 831 at PP 42, 78.

⁴ *Id.*

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 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

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.* 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.* The Order No. 831 directives discussed above are also set forth in Section 35.28(g)(11) of the Commission’s regulations, 18 C.F.R. § 35.28(g)(11).

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.

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 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

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

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 May 2017 Motion.

The CAISO filed three subsequent motions for extensions, based on the need for additional time to develop the CCDEBE initiative as well as a potential need to develop new rules for establishing default energy bids for hydroelectric resources which the CAISO was exploring including in CCDEBE. The Commission granted these motions, with the third order permitting the CAISO an extension until August 30, 2019.¹⁰

II. Motion for Extension of Time

The CAISO respectfully requests a brief six-day extension of time – until September 5, 2019 – to submit its revisions to comply with Order No. 831. The CAISO will submit its Order No. 831 compliance filing separately from its proposed CCDEBE tariff revisions, which the CAISO will file pursuant to Section 205 of the FPA. However, the CAISO must submit the CCDEBE tariff revisions prior to the Order No. 831 compliance filing because the cost verification and default energy bid procedures it proposes to adopt to meet the Order No. 831 compliance requirements are fundamental components, and thereby inextricably intertwined with, the larger package of market improvements that it is developing and will adopt as part of the CCDEBE initiative. The CAISO plans to submit its CCDEBE filing today, with the Order No. 831 compliance filing following, by

¹⁰ See the motions for extensions of time filed by the CAISO in this proceeding on April 25, 2018, June 29, 2018, and April 15, 2019 which the Commission granted by notices issued on May 22, 2018, July 17, 2018, and April 29, 2019 respectively.

September 5, 2019.

Since the Commission granted the April 2018 Motion, the CAISO has been developing the software and procedures needed to implement the automatic thresholds for cost verification as well as manual cost verification procedures under CCDEBE. The CAISO has also developed, in the LMPME stakeholder process, modifications to the verification rules that it developed in the CCDEBE initiative for making before-the-market adjustments to commitment cost bid caps and default energy bids for gas-fired resources as calculated by the CAISO for the day-ahead and real-time markets.¹¹ The CAISO will incorporate those modifications into the CCDEBE filing.

Good cause exists to grant the requested extension. 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 submission of the CCDEBE tariff provisions prior to the submission of the Order No. 831 compliance provisions will enable the Commission to consider the CAISO's Order No. 831 compliance more comprehensively.

No party will be prejudiced or harmed by this short extension of time in which to submit its compliance filing. To the contrary, the additional time is expressly to ensure that the CAISO can file the CCDEBE tariff modifications first,

¹¹ See LMPME Draft Final Proposal (Updated) at 42-46 (Jan. 31, 2019) (LMPME Draft Final Proposal). This document and other materials related to the LMPME stakeholder initiative are available at <http://www.aiso.com/informed/Pages/StakeholderProcesses/LocalMarketPowerMitigationEnhancements2018.aspx>.

including the cost verification process required to comply with Order No. 831.

III. Conclusion

For the foregoing reasons, the ISO respectfully requests that the Commission grant a six-day extension of time, until September 5, 2019, to submit the tariff revisions to comply with Order No. 831.

Respectfully submitted,

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Dated: August 30, 2019

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 30th day of August, 2019.

/s/ Martha Sedgley
Martha Sedgley