

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

**California Independent System) Docket No. ER17-____-000
Operator Corporation)**

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

The California Independent System Operator Corporation (CAISO) respectfully requests a limited waiver of section 40.9.3.1(a)(2)(B) of the CAISO tariff so the CAISO can continue to assess the availability of resources providing local and/or system resource adequacy capacity using the same availability assessment hours for 2018 as it does for 2017.¹ This waiver is necessary because the CAISO recently received feedback from stakeholders that adopting different availability assessment hours for 2018 could create problems for demand response resources and other resources that have already committed to provide resource adequacy capacity for 2018 based on a methodology adopted by the California Public Utilities Commission (CPUC).

Good cause exists for the Commission to grant this petition. The CAISO has acted in good faith because, following its review of stakeholder input, including input from CPUC Staff, the CAISO determined that using the same availability assessment hours for 2018 that it uses for 2017 will prevent difficulties for many resources that have already made commitments to provide resource

¹ The CAISO submits this petition for limited waiver pursuant to Rule 207 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.207. References to sections herein are references to sections of the CAISO tariff unless otherwise stated.

adequacy capacity in 2018. The waiver is of limited scope because it only seeks a temporary exemption from the provisions in section 40.9.3.1(a)(2)(B) that will only apply to the availability assessment hours for resources providing local and/or system resource adequacy capacity for the period April to October 2018. The CAISO will establish new availability assessment hours for 2019 that satisfy the provisions in section 40.9.3.1(a)(2)(B). To avoid imposing an undue burden on resources that have already committed to provide resource adequacy in 2018, the availability assessment hours for 2017 will continue to apply for 2018. Absent this waiver, participants in the CPUC's Demand Response Auction Mechanism (DRAM) may experience problems, and resource delivery could be negatively impacted. Stakeholders have indicated that changes to the availability assessment hours for 2018 could result in DRAM participants rejecting their DRAM award and reducing the amount of demand response resources in the CAISO's market. The stakeholders who commented on the CAISO's proposal for establishing the availability assessment hours for 2018 spanned a range of participants in the electric industry, and none of them opposed maintaining the status quo for 2018. For these reasons, the Commission should grant the petition for limited waiver.

I. Background

A. Tariff Provisions for Establishing Availability Assessment Hours Applicable to Resources Supplying Local or System Resource Adequacy Capacity

Section 40.9 of the CAISO tariff sets forth terms and conditions for assessing local and system resource adequacy capacity. This assessment

involves using availability assessment hours – a concept that the CAISO and stakeholders originally developed as part of the CAISO’s standard capacity product and then retained when the CAISO implemented the Resource Adequacy Availability Incentive Mechanism (RAAIM).

Prior to the start of each resource adequacy compliance year, which runs from January 1 through December 31, the CAISO establishes and publishes in a business practice manual (BPM) the availability assessment hours applicable for resources providing local and/or system resource adequacy capacity for each month of the year.² Section 40.9.3.1(a)(2) of the tariff states that these availability assessment hours will be a pre-defined set of five consecutive hours for each month that:

- (A) correspond to the operating periods when high demand conditions typically occur and when the availability of resource adequacy capacity is most critical to maintaining system reliability;
- (B) vary by season as necessary so that the coincident peak load hour typically falls within the five-hour range each day during the month, based on historical actual load data; and
- (C) apply to each Trading Day that is a weekday and not a federal holiday.

The CAISO published in the BPM for Reliability Requirements the following availability assessment hours for resources providing local and/or system resource adequacy capacity for each month of the 2017 resource adequacy compliance year: for January through March, November, and December, the availability assessment hours are 4:00 p.m. to 9:00 p.m.; and for

² CAISO tariff section 40.9.3.1(a)(1); tariff appendix A, definition of “Resource Adequacy Compliance Year”.

April through October, the availability assessment hours are 1:00 p.m. to 6:00 p.m.³

B. Establishment of Availability Assessment Hours for 2018

On April 11, 2017, the CAISO issued a market notice pursuant to the tariff and the BPM for Change Management that announced the issuance of Proposed Revision Request (PRR) No. 986, to establish availability assessment hours for the upcoming 2018 resource adequacy compliance year and to list those hours in the BPM for Reliability Requirements.⁴ The April 11 market notice provided a stakeholder comment period of 10 business days.⁵ The CAISO subsequently issued additional market notices and held meetings regarding PRR No. 986 (and other PRRs) that followed the regular PRR procedures for the CAISO and stakeholders to review and discuss proposed revisions to the business practice manuals.⁶

³ Business Practice Manual for Reliability Requirements, Version 32, at 99. This business practice manual refers to the availability assessment hours listed above as being applicable to “Generic RA”, which is another name for resources providing local and/or system resource adequacy capacity. The current version of the business practice manual (Version 33) and previous versions of the manual are available at <https://bpmcm.caiso.com/Pages/BPMDetails.aspx?BPM=Reliability%20Requirements>.

⁴ See CAISO tariff sections 22.11.1.1, 22.11.1.4; BPM for Change Management, sections 2.3, 2.4.3. PRR No. 986 was entitled “Update Resource Adequacy Availability Incentive Mechanism Assessment Hours”. The April 11 market notice and the other market notices discussed in this waiver petition are available at <http://www.caiso.com/informed/Pages/Notifications/MarketNotices/Default.aspx>.

⁵ See tariff section 22.11.1.5; BPM for Change Management, section 2.4.4.

⁶ See market notices issued April 18, 2017 (announcing BPM change management web conference held on April 25, 2017 and listing PRR No. 986 as a discussion item for the web conference), May 2, 2017 (announcing a further stakeholder comment period regarding PRR No. 986 that would end on May 16, 2017), and May 16, 2017 (announcing BPM change management web conference held on May 23, 2017 and listing PRR No. 986 as a discussion item for the web conference). See also tariff section 22.11.1.5; BPM for Change Management, section 2.4.5 (describing PRR process regarding proposed BPM revisions).

On June 6, 2017, the CAISO held a web conference to review the study methodology and proposed determination of availability assessment hours for the 2018 resource adequacy compliance year.⁷ The web conference included a CAISO presentation on the study methodology and related data projected through 2020. The CAISO initially proposed that, for January through March, November, and December of 2018, the availability assessment hours for resources providing local and/or system resource adequacy capacity should continue to be 4:00 p.m. to 9:00 p.m. However, it proposed to revise the availability assessment hours for such resources for the months of for April through October of 2018 so they too would be 4:00 p.m. to 9:00 p.m.⁸

A few stakeholders submitted written comments to the CAISO in support of the proposal, but the CPUC Staff and certain other stakeholders submitted comments raising serious concerns with this proposal.⁹ Although the CAISO considered all of the comments it received, the CPUC Staff's comments were particularly significant because the CPUC resource adequacy program procures capacity to ensure safe and reliable operation of the CAISO controlled grid. As part of the CPUC program, the CPUC establishes the methodology used to determine the qualifying capacity of each resource, *i.e.*, the amount of a resource's capacity that can count toward satisfying a load-serving entity's

⁷ See market notice issued May 25, 2017 (announcing June 6 web conference and requesting stakeholder comments by June 5, 2017).

⁸ CAISO presentation, *2018 Annual Review of Availability Assessment Hours* (June 6, 2017), available at <http://www.caiso.com/rules/Pages/BusinessPracticeManuals/Default.aspx>, under the "Stakeholder Meetings – 2017" tab.

⁹ The submitted comments are available at <https://bpmcm.caiso.com/Pages/default.aspx>, under the link for PRR 986.

resource adequacy requirement.

The CPUC Staff expressed concerns that the proposal to revise the availability assessment hours for 2018 might be problematic for some resources such as demand response resources that have offered to provide resource adequacy capacity for 2018 based on qualifying capacity values calculated under the CPUC's Qualifying Capacity Manual, which are the same as those adopted for 2017. The CPUC Staff noted that, because the CPUC had already issued a proposed decision in its resource adequacy proceeding, no additional changes to the CPUC's resource adequacy program could be considered for implementation in 2018. The CPUC Staff urged that changes to the resource adequacy measurement hours and the availability assessment hours should be coordinated so that the CPUC program can be consistent with the CAISO's implementation of its tariff. The CPUC Staff explained that short-listed bidders for demand response delivery for 2018 under the CPUC's DRAM have already received offers based on the existing resource adequacy hours, and investor-owned utilities have already filed demand response applications for 2018-2022. The CPUC Staff expressed concern that a change in the availability assessment hours for 2018 would negatively affect resource delivery by causing uncertainty and confusion. As a result, DRAM bidders might need to terminate or modify offers already made in the CPUC program, seek exemptions, or cause the CPUC and the CAISO to assess resource adequacy compliance differently, all of which would be problematic.¹⁰ Several stakeholders raised issues in their comments

¹⁰ The CPUC Staff also encouraged the CAISO to share the study methodology and related

similar to those the CPUC Staff discussed.¹¹

Following review of the input provided by the CPUC Staff and other stakeholders, the CAISO decided to maintain the 2017 availability assessment hours for 2018 for resources providing local and/or system resource adequacy capacity. The CAISO issued a market notice announcing that decision on June 28, 2017.¹² The market notice noted that the CAISO was posting an updated version of the BPM for Reliability Requirements that reflects the decision.¹³ Because retaining the 2017 availability assessment hours in 2018 arguably is inconsistent with the provisions in section 40.9.3.1(a)(2)(B) of the CAISO tariff, the CAISO stated that this decision is subject to regulatory approvals from the Commission. Specifically, the market notice explained that “[t]he [CA]ISO intends to file a one-time waiver of its tariff provisions to maintain the current availability assessment hours for system and local resources for 2018. Going forward from 2018, the [CA]ISO will modify the availability assessment hours as necessary to ensure compliance with its tariff.”

No stakeholder exercised its right under the tariff and the BPM for Change Management to appeal the decision on PRR 986,¹⁴ and no stakeholder has

data supporting its recommendation with the stakeholders. The CAISO shared that information at the June 6 web conference, which took place the day after the CPUC Staff submitted its comments.

¹¹ See, for example, the comments submitted by NRG Energy, Inc. on PRR 986, which stated that NRG supports the CPUC Staff’s comments.

¹² See CAISO tariff section 22.11.1.5 (setting forth provisions on issuance of a PRR decision); BPM for Change Management, sections 2.4.8-2.4.9 (same).

¹³ See BPM for Reliability Requirements, Version 33, at 99-100.

¹⁴ See tariff section 22.11.1.6 (setting forth provisions on appeal of a PRR decision); BPM for Change Management, section 2.4.10 (same).

informed the CAISO that it opposes the retention of 2017 availability assessment hours in 2018.

II. Petition for Limited Tariff Waiver

Good cause exists for the Commission to grant a limited waiver of tariff section 40.9.3.1(a)(2)(B), so that the availability assessment hours applicable to resources providing local and/or system resource adequacy capacity for the 2018 resource adequacy compliance year need not satisfy the provisions of that subsection, but will be the same as the availability assessment hours for the 2017 resource adequacy compliance year. The Commission has previously granted requests for tariff waivers where (1) the applicant acted in good faith; (2) the waiver was of limited scope; (3) the waiver addressed a concrete problem; and (4) the waiver did not have undesirable consequences, such as harming third parties.¹⁵ This waiver petition meets all four conditions.

The CAISO has acted in good faith because, after considering stakeholder input, it decided after the June 6, 2017 web conference to retain the 2017 availability assessment hours for 2018. The CAISO initially proposed establishing different availability assessment hours for April to October of 2018, but later determined that doing so would be problematic.

The waiver is of limited scope because it applies solely to the provisions in section 40.9.3.1(a)(2)(B). Retaining the 2017 availability assessment hours for 2018 will mean that the coincident peak load hour will not “typically fall[] within

¹⁵ See, e.g., *Cal. Indep. Sys. Operator Corp.*, 158 FERC ¶ 61,072, at P 5 (2017); *N.Y. Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,061, at P 19 (2014); *PJM Interconnection, L.L.C.*, 146 FERC ¶ 61,041, at P 5 (2014); *ISO New England, Inc.*, 134 FERC ¶ 61,182, at P 8 (2011).

the five-hour range each day during the month, based on historical actual load data” for April to October 2018.¹⁶ Using the 2017 availability assessment hours in 2018 will satisfy the other relevant standards in section 40.9.3.1(a)(2)(A) and in section 40.9.3.1(a)(2)(C) for all of 2018. The waiver also will be temporary because it will only apply to the availability assessment hours for resources providing local and/or system resource adequacy capacity for April to October of 2018. The other provisions in section 40.9.3.1(a)(2) will remain in effect. Starting with the 2019 resource adequacy compliance year, the CAISO will establish availability assessment hours that satisfy all of the provisions in section 40.9.3.1(a)(2), including subsection (B).¹⁷

The waiver addresses the concrete problem that the same availability assessment hours need to apply for 2018 as apply for 2017 to avoid imposing a burden on resources that have already committed to provide resource adequacy for 2018 through the CPUC program. As the CPUC Staff informed the CAISO, the CPUC cannot consider any additional changes to the CPUC’s resource adequacy program for implementation in 2018. A change in the availability assessment hours for 2018 would also negatively affect resource delivery and possibly cause problems for DRAM bidders. Granting the waiver will avoid all of

¹⁶ The discrepancy between the coincident peak load hour and the current availability assessment hours is currently primarily observed during shoulder months (i.e., April, May and October), though the CAISO projects that the coincident load hour for peak months (June through September) will continue to shift later in the day as more behind-the-meter solar photovoltaic resources are incorporated on the distribution system. See CAISO presentation, 2018 Annual Review of Availability Assessment Hours (June 6, 2017), pages 13 and 14, available at <http://www.caiso.com/rules/Pages/BusinessPracticeManuals/Default.aspx>, under the “Stakeholder Meetings – 2017” tab.

¹⁷ The proceeding to establish availability assessment hours for the 2019 resource adequacy compliance year is scheduled to begin in October 2017.

those issues.

Resources providing local and/or system resource adequacy capacity will continue to be subject to the same availability assessment hours for 2018 that apply for 2017 thus avoiding potential undesirable consequences for them. Accordingly, the CAISO will maintain the status quo. This will include continuing to use availability assessment hours that correspond to the operating periods when high demand conditions typically occur and when the availability of resource adequacy capacity is most critical to maintaining system reliability.¹⁸ Further, no stakeholder has informed the CAISO that it opposes the retaining the 2017 availability assessment hours in 2018. This lack of opposition is especially notable because the stakeholders that commented in the process for PRR 986 span a broad range of market participants, including investor-owned utilities, consumers, generators, and demand response providers.

If the Commission does not approve this Petition, the CAISO will implement the availability assessment hours presented in PRR 986 and update its BPM for reliability requirements accordingly. Stakeholders indicated that such a result could cause demand response providers to terminate contracts awarded under the DRAM,¹⁹ thereby reducing the total resources available to meet resource adequacy requirements.

¹⁸ See CAISO tariff section 40.9.3.1(a)(2)(A).

¹⁹ See, for example, the comments on PRR 986 submitted by NRG Energy, Inc., available at <https://bpmcm.caiso.com/Lists/PRR%20Comments/Attachments/1420/NRG%20Comments%20on%20PRR%20986%20170613.pdf> and the California Large Energy Consumers Association, available at <https://bpmcm.caiso.com/Lists/PRR%20Comments/Attachments/1414/PRR%20986%20CLECA%20comments%205-31-17.pdf>.

For these reasons, good cause exists to grant the CAISO's request for limited waiver of section 40.9.3.1(a)(2)(B).

III. Service

The CAISO has served copies of this filing on the CPUC, the California Energy Commission, all parties with Scheduling Coordinator Agreements under the CAISO tariff, and all parties in the proceeding in which the Commission accepted the RAIM for filing (Docket No. ER15-1825). In addition, the CAISO has posted a copy of the filing on the CAISO website.

IV. Conclusion

For the foregoing reasons, the Commission should find that good cause exists to grant a limited waiver of tariff section 40.9.3.1(a)(2)(B) with regard to the establishment of availability assessment hours for resources providing local and/or system resource adequacy capacity for April through October of 2018.

Respectfully submitted,

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