

December 6, 2018

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
ER19-____-000**

**Tariff Amendment Updating Greenhouse Gas Allowance Price
Inputs and Fallback Logic**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) submits this tariff clarifications amendment to update the timing and source of inputs to the daily greenhouse gas allowance price and the fallback logic used when inputs are not available.¹ The CAISO uses the greenhouse gas allowance price to calculate the greenhouse gas cost adder that is included as a component of default energy bids and commitment costs for resources that have a greenhouse gas compliance obligation. The proposed tariff changes benefit the market because they ensure the CAISO will be able to use the most recent and available inputs to calculate the greenhouse gas allowance cost.

I. Background

When the CAISO stakeholdered the original proposal to create a greenhouse gas cost adder, it proposed to adopt the same approach used for calculating the gas price index: namely, to average at least two prices published by different vendors, with the list of three or more vendors identified in its tariff. Accordingly, CAISO tariff section 39.7.1.1.4 identifies three vendors – the Intercontinental Exchange (ICE), CME Group, and Argus. Again, similar to the approach the CAISO uses to calculate the gas price index, section 39.7.1.1.4 provides that the CAISO updates the greenhouse gas allowance price by 10:00 PM.

¹ The CAISO submits this filing pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d.

In order for the CAISO to publish the updated greenhouse gas allowance price in a timely manner, the vendor prices need to be available to the CAISO by 9:00 PM (Pacific time). If the CAISO does not have at least two prices by 9:00 PM, the CAISO greenhouse gas allowance price falls back to the previously calculated greenhouse gas allowance price.

Two factors have increased the likelihood of a fallback, which is not an optimal outcome. First, although the CAISO anticipated being able to obtain a greenhouse gas price from CME Group, this vendor has does not publish such a price. Second, although in the past the CAISO has reliably received prices from ICE and Argus² by 9:00 PM, recently ICE has consistently delayed its publication beyond the 9:00 PM deadline needed for CAISO processing. Accordingly, the CAISO must modify the approach set forth in its tariff to ensure it can use the most recent and available greenhouse gas prices.

II. Proposed Tariff Revisions

The CAISO proposes to amend CAISO tariff section 39.7.1.1.4 to eliminate the reference to CME Group, which does not publish a greenhouse gas price. Second, the CAISO proposes to calculate the greenhouse gas allowance price using the two most recently and available prices. If both publications are available by 9:00 PM, the CAISO will use both prices. If only one price is available by 9:00 PM, the CAISO will update the greenhouse gas allowance price using this newly available price and the most recently available price from the other vendor. The CAISO proposes to retain the existing fallback logic to use the prior day's greenhouse gas allowance price if for any reason, it is unable to update the price, *e.g.*, neither vendor provides a price by 9:00 PM. The unavailability of a price could be due to delay in, or lack of, price publication by both vendors, or any interruption of a supporting CAISO business process.

The CAISO has discussed its proposed tariff changes with stakeholders. The CAISO posted a draft of the proposed tariff changes for the greenhouse gas cost adder fallback logic and market notice on October 30, 2018 and invited stakeholder comments to be submitted by November 6, 2018. The CAISO held a telephone conference call on November 8, 2018, and responded to questions and comments raised by stakeholders. During the stakeholder call, the CAISO did not receive any comments expressing substantive concerns.

III. Effective Date

The CAISO respectfully requests that the Commission accept the tariff revisions contained in this filing effective February 5, 2019, *i.e.*, 61 days from the date of this filing.

² The CAISO is not aware of any additional vendors publishing a greenhouse gas price.

IV. Communications

Pursuant to Commission Rule 203(b)(3),³ the CAISO requests that all correspondence, pleadings, and other communications regarding this filing to be directed to the following:

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V. Service

Copies of this filing, including all attachments, have been served upon the California Public Utilities Commission, and all parties with effective Scheduling Coordinator Agreements under the CAISO tariff. In addition, the CAISO has posted the filing and all attachments on the CAISO website.

VI. Attachments

In addition to this transmittal letter, the following documents support the instant filing:

- Attachment A: Proposed clean version of the tariff records incorporating this tariff amendment; and
- Attachment B: Red-lined document showing the proposed changes contained in this amendment.

³ 18 C.F.R. § 385.203(b)(3).

VII. Conclusion

For the reasons set forth in this filing, the CAISO respectfully requests that the Commission accept the tariff revisions contained in this filing effective February 5, 2019.

Respectfully submitted,

By: /s/ Sidney L. Mannheim

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Attachment A – Clean Tariff

Greenhouse Gas Allowance Price Inputs and Fallback Logic Clarification

California Independent System Operator Corporation

39.7.1 Calculation of Default Energy Bids

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39.7.1.1.1.4 Calculation of Greenhouse Gas Allowance Price

To calculate the Greenhouse Gas Allowance Price, the CAISO will average two prices from the following vendors: the Intercontinental Exchange and ARGUS. If a greenhouse gas price from a vendor is unavailable for any reason, the CAISO will use the most recent available greenhouse gas price from that vendor. If for any reason the CAISO cannot calculate a Greenhouse Gas Allowance Price, it will use the most recently calculated value. The CAISO will update the Greenhouse Gas Allowance Price by approximately 22:00 Pacific Time each day (T). The daily Greenhouse Gas Allowance Price will be used in the next day's Real-Time Market (T+1) and in the Day-Ahead Market for the following Trading Day (T+2). The CAISO will calculate each Greenhouse Gas Allowance Price during a year using prices for greenhouse gas allowances from that same year.

Attachment B – Marked Tariff

Greenhouse Gas Allowance Price Inputs and Fallback Logic Clarification

California Independent System Operator Corporation

39.7.1 Calculation of Default Energy Bids

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39.7.1.1.1.4 Calculation of Greenhouse Gas Allowance Price

To calculate the Greenhouse Gas Allowance Price, the CAISO will ~~use different greenhouse gas price indices for the Day-Ahead Market and the Real-Time Market and each greenhouse gas price index will be calculated on a daily basis using at least average~~ two prices from ~~two or more of~~ the following ~~vendors publications~~: the Intercontinental Exchange, ~~CME Group~~, and ARGUS. If a greenhouse gas price ~~from a vendor index~~ is unavailable for any reason, the CAISO will use the most recent available greenhouse gas price ~~from that vendor index~~. ~~If for any reason the CAISO cannot calculate a Greenhouse Gas Allowance Price, it will use the most recently calculated value. For the Day-Ahead Market, t~~The CAISO will update the ~~g~~Greenhouse ~~g~~Gas Allowance ~~p~~Price ~~index between 19:00 and by approximately 22:00 Pacific Time each day (T). The daily Greenhouse Gas Allowance Price will be used in the next day's Real-Time Market (T+1) and in the Day-Ahead Market for the following Trading Day (T+2). using prices for greenhouse gas allowances published on the day that is two (2) days prior to the applicable Trading Day, unless prices for greenhouse gas allowances are not published on that day, in which case the CAISO will use the most recently published prices for greenhouse gas allowances that are available. For the Real-Time Market, the CAISO will update greenhouse gas price indices between the hours of 19:00 and 22:00 Pacific Time using prices for greenhouse gas allowances published one (1) day prior to the applicable Trading Day, unless prices for greenhouse gas allowances are not published on that day, in which case the CAISO will use the most recently published prices for greenhouse gas allowances that are available.~~The CAISO will calculate each Greenhouse Gas Allowance Price during a year using prices for greenhouse gas allowances from that same year.