



California ISO

Metering Rules Enhancements Stakeholder Initiative

Second Supplement to the Draft Final Proposal

September 1, 2016

Background

This second supplement to the CAISO's June 7, 2016, draft final proposal for the Metering Rules Enhancements (MRE) stakeholder initiative¹ modifies a narrow aspect of the CAISO's proposal dealing with the two class exemptions discussed in section 5.4 of the June 7 paper. This second supplement works in conjunction with the June 7 draft final proposal and the June 16 supplement. Together all three papers represent the ISO's current MRE proposal.

The MRE proposal set forth in the June 7 paper and both supplements are the work product of a stakeholder process launched in February of this year. In that time the CAISO has issued three proposal papers and two supplements, held several stakeholder web conferences, and received and considered multiple rounds of written comments from stakeholders.

Initiative Schedule

Prior to issuing this second supplement, the ISO was targeting the CAISO Board of Governors meeting scheduled for August 31-September 1 for approval of the MRE proposal. However, to allow sufficient time for stakeholder consideration of this second supplement, the ISO will delay the presentation of the MRE proposal to a future meeting of the Board of Governors. Depending upon stakeholder response, the ISO still hopes to conclude MRE this year.

The CAISO has scheduled a stakeholder web conference for September 12 to discuss this second supplement and is inviting stakeholders to submit written comments by September 19.

Second Supplement

The tariff requires scheduling coordinators to submit settlement quality meter data (SQMD) in intervals of five minutes. Section 10.3.2.2 of the ISO tariff states, "Subject to any exemption granted by the ISO, Scheduling Coordinators must ensure that Settlement Quality Meter Data submitted to the ISO is in intervals of five (5) minutes for Loads and

¹ All documents for the MRE stakeholder initiative are available on the initiative webpage at <http://www.caiso.com/informed/Pages/StakeholderProcesses/MeteringRulesEnhancements.aspx>

Generators providing Ancillary Services and/or Imbalance Energy, and one (1) hour for other Scheduling Coordinator Metered Entities.”

The ISO has two indefinite class exemptions for this requirement that allow scheduling coordinators to submit SQMD at larger intervals subject to other restrictions, as explained in Section 5.4 of the June 7 draft final proposal.²

In the June 7 draft final proposal the ISO proposed to revise its tariff such that the rule in Section 10.3.2.2 and for all resources is consistent with these class exemptions. The ISO’s reasoning was this would provide greater clarity on actual ISO practice, help the ISO enforce meaningful SQMD submission requirements, and avoid further exemptions to Section 10.3.2.2.

After further consideration, the ISO believes this is the wrong approach. The interplay between these two class exemptions and the MRE proposal of expanding the use of SCME may combine to have the unintended consequence of expanding the proportion of market participants not submitting SQMD in intervals of five minutes. In other words, the expanded use of SCME will allow a greater number of resources to take advantage of these class exemptions. Such a result could represent a significant move away from the intent for SCs to submit SQMD in intervals of five minutes.

The ISO both dispatches resources and settles with those resources on a five-minute basis (per FERC Order No. 764). Aligning the measurement and submittal of SQMD with this same five-minute basis results in higher accuracy of the payments (or charges) to the resource and a corresponding lowering of any necessary offset allocations. Thus, it is desirable for measurement and submittal of SQMD to be on the same five-minute interval basis as dispatch and settlement.

In this second supplement, the ISO proposes an approach that would have the more desired effect of moving market participants toward submittal of SQMD in intervals of five minutes. To accomplish this, the ISO proposes to discontinue the two class exemptions and replace them with a default exemption on an as-needed basis of no more than two years. The ISO’s rationale is that these class exemptions were never intended to be indefinite or permanent, but a two-year transition period would provide a reasonable period for entities to move to SQMD submittal in intervals of five minutes.

Application of this proposed approach would differ slightly between existing entities and new entities. Existing entities participating under these class exemptions as of the

² See May 1, 2014 and November 1, 2014 exemptions at <https://www.caiso.com/Documents/MeteringExemptionsListingReport.pdf>.

effective date³ would be granted an automatic two-year period to transition to SQMD submittal in intervals of five minutes. New entities will be required to submit SQMD in intervals of five minutes. However, if a new entity can demonstrate that it cannot meet this requirement, then the ISO will consider exemption requests from such entities on a case-by-case basis. If the request is granted, then the entity will have up to two years to transition to SQMD submittal in intervals of five minutes. If existing entities or new entities granted an exemption have made progress toward meeting the requirement but need a small amount of additional time to complete the transition after the two year period, then the ISO may consider requests for extension on a case-by-case basis.

Next Steps

The ISO plans to discuss this second supplement with stakeholders during a stakeholder conference call to be held on September 12. The ISO requests comments from stakeholders on the proposed modification to the June 7 draft final proposal described in this second supplement. Stakeholders should submit written comments by September 19 to InitiativeComments@caiso.com.

³ The effective date of FERC's acceptance of the proposed tariff revisions.