

158 FERC ¶ 61,108
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Norman C. Bay, and Colette D. Honorable.

California Independent System Operator Corporation Docket No. ER17-779-000

ORDER GRANTING WAIVER

(Issued February 1, 2017)

1. On January 11, 2017, California Independent System Operator Corporation (CAISO) filed a petition pursuant to Rule 207 of the Commission's Rules of Practice and Procedure¹ seeking a limited waiver of section 40.9.1 of its tariff. The requested waiver is to provide market participants with an opportunity to review corrected advisory settlement statements associated with CAISO's transition to the Resource Adequacy Availability Incentive Mechanism (RAAIM). As discussed below, we find good cause to grant the requested waiver.

I. Background

2. On November 1, 2016, CAISO implemented phase 1A of its reliability services initiative,² which focuses on enhancing and streamlining its rules and procedures regarding resource adequacy to meet the needs of an increasingly dynamic power grid. CAISO states that RAAIM is a major component of phase 1A, replacing the CAISO's existing standard capacity product. According to CAISO, the standard capacity product assessed resource performance of those providing resource adequacy capacity based on whether the unit providing resource adequacy capacity was on forced outage. CAISO states that RAAIM, on the other hand, evaluates performance based on whether the unit

¹ 18 C.F.R. § 385.207 (2016).

² See *Cal. Indep. Sys. Operator Corp.*, 155 FERC ¶ 61,216 (2016) (granting a waiver to extend the effective date of tariff provisions implementing phase 1A of its reliability services initiative to November 1, 2016).

providing capacity meets its must-offer obligations to bid into the CAISO markets. CAISO explains that under both mechanisms, resources that offer resource adequacy capacity may be eligible for potential incentive payments or may face charges based on their performance over a month.³

3. Section 40.9.1 of CAISO's tariff governs its transition to RAAIM, and provides for a two-month advisory period, measured from RAAIM's effective date, during which "CAISO will calculate and publish the Availability Incentive Payments and Non-Availability Charges on Settlement Statements but will not include those payments and charges on Invoices for financial settlement."⁴ CAISO states that as RAAIM became effective on November 1, 2016 in the CAISO settlements system, the corresponding payments and charges associated with RAAIM are currently reflected on market participants' settlement statements under the standard timeline. However, CAISO states that RAAIM payments and charges are blocked from passing to market participants' invoices during the two-month advisory period.⁵ According to CAISO, this advisory period was necessary to give market participants and CAISO an opportunity to become familiar with RAAIM's operation and the transition from an outage-based capacity product to a bid-based one.

4. CAISO explains that during the two-month advisory period, CAISO and market participants identified several issues with its processes and systems that were causing it to miscalculate RAAIM charges and payments.⁶ CAISO states that it had resolved these issues by January, but determined that, because of the implementation issues, the advisory period did not serve its intended purpose of providing market participants with an opportunity to review and evaluate advisory statements that reflect the actual RAAIM calculations.⁷ CAISO therefore determined that the advisory period should be extended.

³ CAISO Petition at 2-3.

⁴ CAISO, CAISO eTariff, Transition to RAAIM, § 40.9.1. CAISO states that, under the current advisory period, January 2017 would be the first month with binding RAAIM charges and payments, and the corresponding invoice is scheduled for issuance on February 8, 2017. CAISO maintains that the current two-month advisory period would essentially expire on the February 8 invoice date. CAISO Petition at 8.

⁵ *Id.* at 3.

⁶ *Id.* at 4.

⁷ *Id.* at 5-6.

5. Thus, CAISO requests in this filing that the advisory period be extended through April 1, 2017 to provide market participants an opportunity to be fully informed of how RAAIM works prior to facing binding-RAAIM charges. CAISO argues that, if granted, the extended advisory period will allow market participants to review corrected RAAIM statements for the months of November 2016 and December 2016 by February 21, 2017 and March 22, 2017, respectively.⁸

6. CAISO argues that the waiver is appropriate and should be granted because (1) it will apply for only three months, (2) it will remedy a problem in that RAAIM settlements for the first quarter of 2017 will reflect capacity performance that occurred without a complete and correct understanding, and (3) rather than having undesirable consequences, the waiver will ensure that the transition to binding-RAAIM charges and payments occurs once RAAIM both assesses capacity performance and establishes well-understood incentives and consequences for that performance.⁹ For these reasons, CAISO asserts that good cause exists to grant the waiver.

II. Notice and Responsive Pleadings

7. Notice of CAISO's filing was published in the *Federal Register*, 82 Fed. Reg. 6496 (2017), with interventions and comments due on or before January 23, 2017. Southern California Edison Company timely filed a motion to intervene. Pacific Gas and Electric Company (PG&E) and Northern California Power Agency (NCPA) timely filed motions to intervene and comments in support of CAISO's filing.

8. PG&E and NCPA support CAISO's filing in light of the several identified issues that were causing CAISO to incorrectly calculate the advisory-RAAIM charges and payments. PG&E agrees with CAISO that an extension of the advisory period through April 1, 2017 will provide market participants a full and informed opportunity to transition to RAAIM because, by then, market participants will have had an opportunity to review the corrected November 2016 and December 2016 corrected advisory-RAAIM statements prior to facing binding-RAAIM charges.¹⁰ NCPA states that an extension of the advisory period will ensure that market participants are able to fully benefit from the advisory period.¹¹

⁸ *Id.* at 6.

⁹ *Id.* at 7.

¹⁰ PG&E Comments at 3.

¹¹ NCPA Comments at 4.

III. Discussion

A. Procedural Matters

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2016), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Substantive Matters

10. The Commission has granted waivers of tariff provisions where: (1) the applicant acted in good faith; (2) the waiver is of limited scope; (3) the waiver addresses a concrete problem; and (4) the waiver does not have undesirable consequences, such as harming third parties.¹² We find that CAISO's requested waiver satisfies these conditions, as discussed below, and therefore, grant CAISO's requested waiver to extend the advisory period to April 1, 2017.

11. We find that CAISO acted in good faith in transitioning to RAAIM and correcting, in a timely manner, the identified issues in its processes and systems. We also find that the requested waiver is of limited scope because it only delays the full implementation of RAAIM by three months. Furthermore, we find CAISO's waiver addresses a concrete problem, in that it gives market participants an opportunity to be fully informed of how their economic bids into the energy market affect RAAIM settlements prior to binding-RAAIM settlements taking effect. Moreover, we find that the waiver will not have undesirable consequences, such as harming third parties. Rather, we find that the waiver will maintain the status quo for a brief period of time while CAISO and its market participants finalize the transition to RAAIM. We note that PG&E and NCPA support CAISO's filing and acknowledge that an extension of the advisory period will provide market participants with an opportunity to be fully informed of RAAIM rules and impacts before facing binding-RAAIM charges, and that CAISO's request was unopposed. Therefore, we grant CAISO's request for a limited waiver to extend the RAAIM advisory period until April 1, 2017, as requested.

¹² See, e.g., *Midcontinent Indep. Sys. Operator, Inc.*, 154 FERC ¶ 61,059, at P14 (2016); *Calpine Energy Serv., Inc.*, 154 FERC ¶ 61,082, at P 12 (2016); *N.Y. Power Auth.*, 152 FERC ¶ 61,058, at P 22 (2015).

The Commission orders:

CAISO's request for a limited waiver of section 40.9.1 of its tariff is granted, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.