

150 FERC ¶ 61,137
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 24, 2015

In Reply Refer To:
California Independent System
Operator Corporation
Docket Nos. ER14-2574-002
ER14-2574-003

California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Attn: Beth Ann Burns, Esq.
Senior Counsel for California Independent System
Operator Corporation

Reference: Compliance Filing

Dear Ms. Burns:

1. On November 17, 2014,¹ as amended on November 25, 2014,² the California Independent System Operator Corporation (CAISO) submitted a filing to comply with a Commission order issued on October 16, 2014.³ The October 2014 Order addressed CAISO's proposed tariff revisions to: (1) establish requirements and must-offer obligations for flexible resource adequacy capacity; and (2) extend CAISO's capacity procurement mechanism authority to enable CAISO to undertake backstop procurement of flexible capacity in the event of a cumulative deficiency.

¹ CAISO November 17, 2014 Compliance Filing (November 17 Filing).

² CAISO November 25, 2014 Errata Filing (November 25 Filing).

³ *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,042 (2014) (October 2014 Order).

2. Relevant here, the compliance obligations in the October 2014 Order required CAISO to: (1) add tariff language to clarify proposed section 40.10.5.1(c)(2) (Flexible Resource Adequacy Capacity Monthly Plans) functions as an information submission requirement and not a procurement requirement;⁴ (2) add tariff language to explain how CAISO will allocate changes in flexible capacity needs due to application of the forecast adjustment;⁵ (3) add tariff provisions to permit combinations of use-limited resources to provide peak and super peak flexible ramping capacity;⁶ (4) remove the prior bid requirement from section 40.10.4 (Effective Flexible Capacity) of its tariff;⁷ (5) add tariff language to clarify the calculation of effective flexible capacity for combined heat and power resources;⁸ (6) revise its tariff to establish a limited exception for use-limited resources from the ancillary services must-offer obligation;⁹ (7) revise the tariff definition of “Flexible [Resource Adequacy] Capacity;”¹⁰ and (8) correct miscellaneous errors and omissions in its tariff.¹¹

3. Notice of CAISO’s November 17 Filing was published in the *Federal Register*, 79 Fed. Reg. 70,174 (2014), with interventions and protests due on or before December 8, 2014. Notice of CAISO’s November 25 Filing was published in the *Federal Register*, 79 Fed. Reg. 71,991 (2014), with interventions and protests due on or before December 16, 2014. Timely comments were filed by the California Department of Water Resources State Water Project (SWP) and the Northern California Power Agency (NCPA).

⁴ *Id.* P 48.

⁵ *Id.* P 69.

⁶ *Id.* P 80.

⁷ *Id.* P 90.

⁸ *Id.* P 94.

⁹ *Id.* P 100.

¹⁰ *Id.* P 109.

¹¹ *Id.*

4. NCPA states that the additional revisions incorporated in the November 25 Filing correctly remove the prior bid requirement as directed by the Commission.¹² SWP states that CAISO's proposal to revise section 40.10.6.1(e) (Use-Limited Resources) to remove any requirement for use-limited resources to submit economic bids for ancillary services complies with the Commission's directive. However, SWP expresses concern that CAISO's proposed revisions to section 40.10.3 (Flexible Capacity Categories), which are intended to clarify this exemption with respect to the flexible capacity eligibility criteria, do not state that use-limited resources are exempt from the ancillary services bid requirement in the real-time market, but only in the day-ahead market. SWP states that it has contacted CAISO about this concern and understands that CAISO will propose the necessary revisions.¹³

5. We find that the November 17 Filing, as amended by the November 25 Filing, satisfies the compliance directives of the October 2014 Order, other than the directive to establish an exception from the requirement for use-limited resources to submit economic bids for ancillary services. With respect to SWP's concern regarding that exception, we agree that additional revisions are necessary to comply with the October 2014 Order and will therefore require an additional compliance filing on this issue. In addition, CAISO appears to have replaced tariff section 40.10.1 (Flexible Capacity Needs Assessment) with revised section 43.4 (Selection of Eligible Capacity Under the Capacity Procurement Mechanism) in eTariff. We find that additional revisions are necessary to correct this apparent oversight.

6. Accordingly, the Commission hereby conditionally accepts CAISO's compliance filing, effective November 1, 2014, subject to a further compliance filing, due within 30 days of the date of this order. We direct CAISO, on compliance, to clarify that use-limited resources are exempt from the ancillary services bid requirement in the real-time market. We also direct CAISO to revise sections 40.10.1 and 43.4 to include the correct revisions in eTariff, as discussed above.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

¹² NCPA December 8, 2014 Comments at 1-2.

¹³ SWP December 8, 2014 Comments at 1-2.