

February 25, 2014

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

**Re: California Independent System Operator Corporation
Docket Nos. ER08-1178-____, and EL08-88-____
120 Day Exceptional Dispatch Report**

Dear Secretary Bose:

Pursuant to the Commission's October 26, 2012 order in docket number ER12-2539, the ISO was directed to file a comprehensive Exceptional Dispatch report in October 2013. During that time, the obligation to file the 120 Day Report was suspended. On October 28, 2013, the ISO filed its comprehensive Exceptional Dispatch Report. The California ISO submits the attached 120 Day Exceptional Dispatch Report, pursuant to the September 2, 2009 Order directing the ISO to continue to file reports every 120 days that describe the status of the ISO's efforts to reduce the frequency of Exceptional Dispatch and the status of the ISO's development of operational and product enhancements that would reduce reliance on Exceptional Dispatch.

Respectfully submitted,

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Exceptional Dispatch Report

**Prepared by
California Independent System Operator**

February 25, 2014

Table of Contents

1. Introduction	3
2. Exceptional Dispatch Data and Reports	3
3. Actions to Address Exceptional Dispatch	6

1. Introduction

This is the California ISO's eleventh 120-day report. Previous 120-day reports are available on the ISO website.¹ This report provides an update to the Commission and market participants on the exceptional dispatch metrics and the measures the ISO is taking to reduce reliance on exceptional dispatch. This 120-day report covers a four-month reporting period from October 2013 through January 2014.²

2. Exceptional Dispatch Data and Reports

On October 28, 2013, the California ISO filed with FERC the exceptional dispatch report, per the Commission's order in ER12-2539³, showing a significant reduction of volume and frequency of exceptional dispatch in 2013 (until September) compared with 2012. Since this report, the overall volume of exceptional dispatch stayed at a low level, averaging 0.25% of load with a monthly average ranging from 0.04% in January 2014 to 0.53% in December 2013.

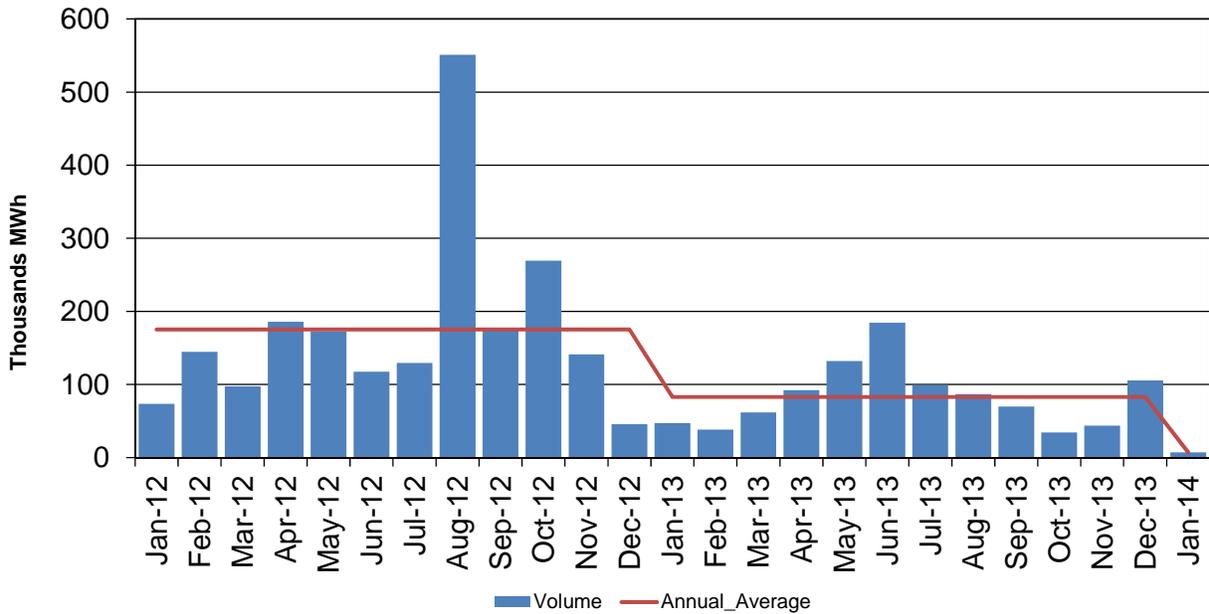
Figure 1 below shows that the exceptional dispatch volume for October 2013, November 2013, and January 2014 stayed at low level. The volume of exceptional dispatch in December 2013 reached approximately 105,558 MWh, largely driven by the gas supply limitations in SCE and SDG&E areas on December 9-11 during the cold snap. In December 2013, the gas supply limitations alone contributed to approximately 44 percent of total exceptional dispatch volume. If the exceptional dispatch related to the gas supply limitations is excluded, total exceptional dispatch volume in December 2013 would be close to the lower end of 2013 monthly levels. It is worth noting that exceptional dispatch will always be an important tool for the ISO to have to respond to conditions over which it has no control and cannot model. The December 9-11 natural gas related exceptional dispatch is an example of such a situation.

¹ ISO 120-day reports, <http://www.caiso.com/informed/Pages/RegulatoryFilingsAndOrders.aspx>.

² The ISO's obligation to file 120 day exceptional dispatch reports in this docket was suspended for a period of one year pursuant to the Commission's October 28 2012 order in docket ER12-2539 which required the ISO to file a comprehensive report within one year on the ISO's efforts to reduce reliance on exceptional dispatch. The ISO filed that report October 28, 2013.

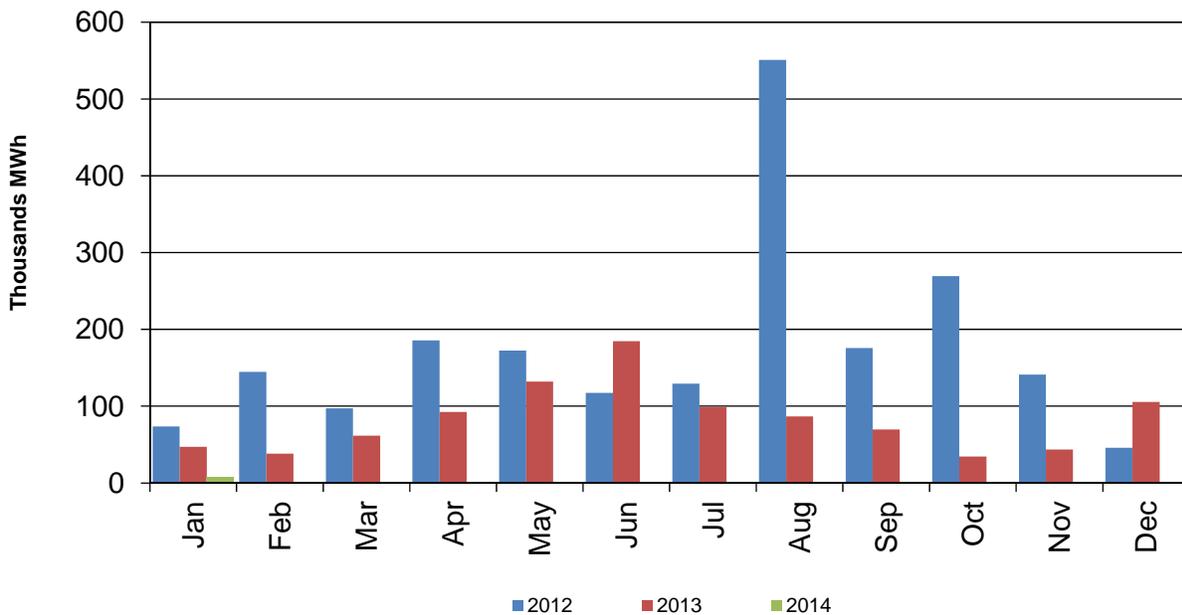
³ *Order Accepting Tariff Revisions and Ordering a Non-Public Formal Investigation*, 141 FERC ¶ 61,069 at ¶ 45 (2012) (October 26 Order).

Figure 1: Exceptional Dispatch Volume



As Figure 2 below shows, the exceptional dispatch volume for each month during the reporting period was lower than the same month of other years except December 2013. The relatively high volume in December was mainly due to the temporary gas issues discussed above.

Figure 2: Exceptional Dispatch Volume Comparison



To comply with FERC directives and inform the market, the ISO produces and files two reports on exceptional dispatch in addition to the 120-day report. One report is filed on

the 15th of every month and another is filed on the 30th of every month. These monthly reports provide the market with the most recent summary of exceptional dispatch activity and associated costs. The monthly reports are available on the ISO's website at: <http://www.caiso.com/market/Pages/ReportsBulletins/Default.aspx>.

Table 1 Report. This report provides information on the frequency, quantity, and duration of exceptional dispatch. The report is based on a template specified in Commission orders. Each line item entry is a summary of exceptional dispatches classified by (1) the reason for the exceptional dispatch; (2) the location of the resource by Participating Transmission Owner ("PTO") service area; (3) the Local Reliability Area ("LRA") where applicable; (4) the market in which the exceptional dispatch occurred (day-ahead vs. real-time); and (5) the date of the exceptional dispatch. For each classification the following information is provided: (1) Megawatts ("MW"); (2) Commitment (3) Inc or Dec (4) Hours; (5) Begin Time; and (6) End Time. Appendix A to the Table 1 Exceptional Dispatch Report contains three illustrative examples of how exceptional dispatch activity is captured in the report.

Table 2 Report. The Table 2 Report contains all the Table 1 Report fields in the same format, but adds ten additional columns to the report which include the six listed above as well as: (7) Total Volume (MWh); (8) Min Load Cost; (9) Start Up Cost; (10) Charge Code "CC" CC6470; (11) Exceptional Dispatch Volume (MWh INC/DEC); (12) CC6470 INC; (13) CC6470 DEC; (14) CC6482; (15) CC6488; and (16) CC6620.

The ISO also publishes a monthly market performance report at:

<http://www.caiso.com/market/Pages/ReportsBulletins/Default.aspx>. This monthly report highlights the frequency and cost of exceptional dispatch as a subset of the broader category of operator intervention. The report is published approximately three weeks after the end of every month and is based on preliminary settlement data available about 10 days after month's end.

Additional information is also explained in greater detail in the Market Performance Metric Catalog which is issued on a monthly basis. This report provides the explanation and context for each market metric, including information on exceptional dispatch. It is available at: <http://www.caiso.com/market/Pages/ReportsBulletins/Default.aspx>.

The ISO also provides two regularly scheduled forums for discussing exceptional dispatch issues, among other issues: the bi-weekly market update call scheduled every other Thursday at 10:15 a.m. and the Market Performance and Planning Forum meetings held every six weeks. The market update call is available to address market participant questions on any topic, including exceptional dispatch. The Market Performance and Planning meetings provide for high-level dialogue on release

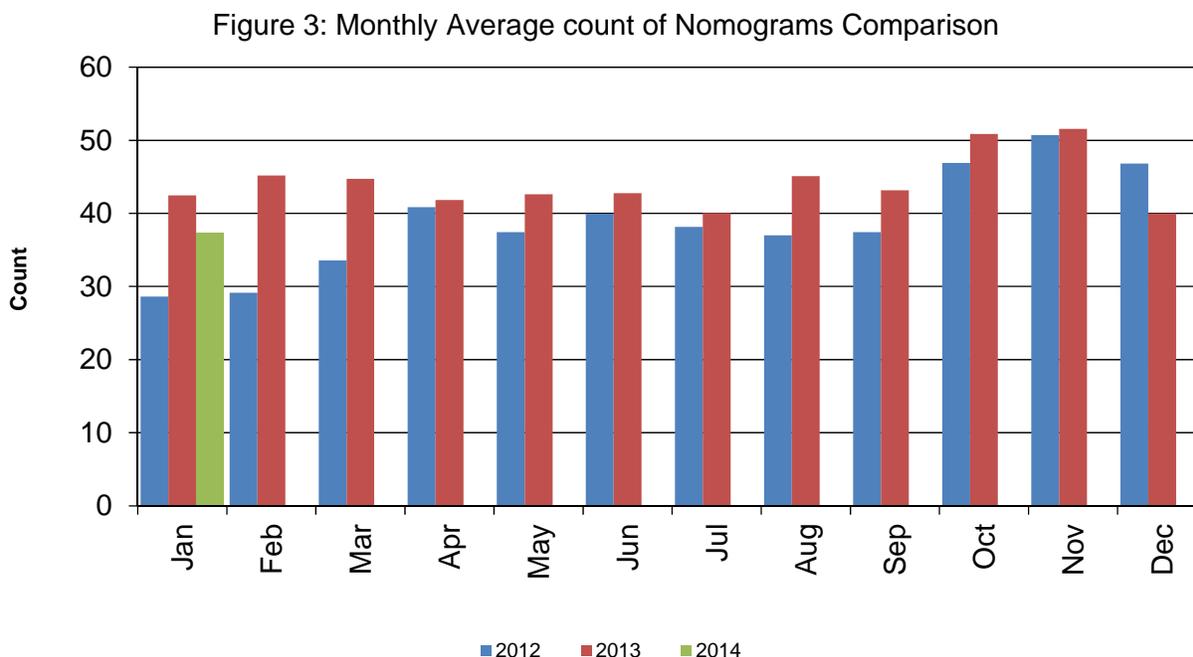
planning, implementation and new market enhancements. Agendas include items of importance to stakeholders, including the ISO's progress on reducing reliance on exceptional dispatch. Meeting agendas, presentations, and stakeholder comments are posted on the Market Performance and Planning Forum webpage:

<http://www.caiso.com/Documents/Market%20performance%20and%20planning%20forum>.

3. Actions to Address Exceptional Dispatch

This section describes the actions that have been taken to reduce exceptional dispatch since October 2013, as well as actions that are currently underway or planned for future implementation.

The ISO continued to model transmission constraints and reliability requirements in the market to reduce reliance on exceptional dispatch. Figure 3 shows that the monthly number of nomograms stabilized or dropped slightly in the reporting period vs. the previous year.



The ISO is also working on or planning for future market initiatives that could be helpful to further reduce the occurrences of exceptional dispatch. These initiatives include the contingency modeling enhancement (CME) and flexible ramping product. CME explicitly models the reliability requirement in the ISO market to address the post-contingency 30

minute system operating limit requirement from NERC and WECC. Presently, the ISO relies on exceptional dispatch or minimum-on line constraints to meet the requirement.⁴ Flexible ramping product is the 5-minute ramping capability procured and dispatched in the real-time and day-ahead markets to manage the system demand and supply uncertainty or variability. Presently, the ISO may rely on exceptional dispatch to commit or de-commit a resource in response to or in anticipation of supply/demand variations. This initiative is expected to resume stakeholder engagement in 2014.⁵

Other market initiatives could also be potentially beneficial in reducing exceptional dispatch. Lowering the bid floor, for example, is expected to entice resources to provide more decremental bids in the real-time market. Additional decremental bids reduce the reliance on exceptional dispatch in curtailing generation in managing potential over-generation conditions. This new feature is planned to be implemented in the spring 2014 release.

⁴ Information on contingency modeling enhancements can be found at <http://www.caiso.com/informed/Pages/StakeholderProcesses/ContingencyModelingEnhancements.aspx>.

⁵ Information on flexible ramping product can be found at <http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleRampingProduct.aspx>.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 25th day of February 2014.

Anna Pascuzzo
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