

July 21, 2014

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

**Re: California Independent System Operator Corporation  
Compliance Filing**

**Docket No. ER13-2452-\_\_\_\_\_**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) respectfully submits this compliance filing in response to the Commission's June 19, 2014 order<sup>1</sup> accepting subject to supplemental modifications the CAISO's January 22, 2014 compliance filing proposing reporting on bid cost recovery uplift payments. The CAISO proposes to include in its monthly bid cost recovery reports additional data at the level of individual local capacity requirement areas as further described in this compliance filing. The CAISO respectfully requests that the Commission accept this compliance filing as filed.

**I. Background**

On September 25, 2013, the CAISO filed a tariff amendment to lower the energy bid floor, pay for bid cost recovery separately for the day-ahead and real-time markets, and address potential behavioral issues related to bid cost recovery payments. The changes provided necessary market design modifications targeted at considering the characteristics of variable energy resources as their presence increases in the CAISO markets. The changes also streamlined uplift payments and reduced potential incentives for adverse market behavior targeted at unjustly expanding bid cost recovery or residual imbalance energy payments. The Commission accepted the CAISO's amendment on December 19, 2013, subject to further compliance.

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<sup>1</sup>

*Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,213 (2014) (*June 19 Order*).

On January 22, 2014, the CAISO submitted its compliance filing including changes to its tariff to eliminate certain “catch all” provisions as requested in paragraph 38 of the *December 19 Order*. The CAISO also provided information on the steps it would take to improve the transparency of bid cost recovery uplift payments by revising its current monthly reports on bid cost recovery payments and including this information as a standing item on the agenda for the Market Performance and Planning Forum stakeholder meetings. The CAISO explained that the CAISO already published certain reports on a monthly basis and included in Attachment C to the transmittal letter the figures it planned to produce illustrating: 1) bid cost recovery costs on a daily basis for each month; 2) total costs by the cause of the uplift; and, 3) bid cost recovery costs by the type of costs incurred.

The CAISO proposed to provide each of these charts in five locations that reflect five utility distribution company areas to provide locational information regarding these costs. The breakdown of the cost data by utility distribution company will be provided in an appendix to the monthly reports and will be made available on the CAISO’s website at the same location. The reports would provide the bid cost recovery payments made to resources located in the utility distribution company areas as discussed above for each current report as reflected in Attachment C to the January 22 transmittal letter.

The Commission accepted the CAISO’s compliance filing, subject to the CAISO submitting a revised proposal, within 30 days of the date of the Commission’s order, specifying that the CAISO will include data at the level of individual local capacity requirement areas in its monthly bid cost recovery report.

## **II. Discussion**

Consistent with the Commission’s order, the CAISO proposes to include in its monthly bid cost recovery reports data at the level of individual local capacity requirement areas. This data will be in addition to the monthly reports the CAISO proposed to provide as described in the CAISO’s January 22 compliance filing.

As noted by the Commission, the CAISO currently administers a process where it establishes local capacity requirement areas as part of its local capacity requirements process. The CAISO will provide the bid cost recovery uplift information at the level of the already established local capacity requirement areas. The Commission found that this will provide more useful locational information than the CAISO’s proposal to use utility distribution areas, and does not pose a risk of disclosing commercially sensitive generator data because each

local capacity requirement area includes a sufficient number of resources such that the identity of any specific resource cannot be ascertained.<sup>2</sup>

In its January 22 compliance filing the CAISO proposed to provide on a monthly basis four figures illustrating daily bid cost recovery payments. The four figures together provide: 1) total costs by the cause of the uplift, *i.e.*, the market in which the uplift is incurred; and 2) bid cost recovery costs by the type of costs incurred, *i.e.*, start-up costs, minimum load costs or energy bid costs. The CAISO also proposed to provide each of these charts in five locations that reflect five utility distribution company areas to provide locational information regarding these costs.

The CAISO now proposes to provide four additional figures that provide bid cost recovery payments by local capacity requirement area. This data is illustrated in Figures 1 through 4 in the Attachment to this transmittal letter. There are ten local capacity requirement areas currently evaluated by the CAISO for local reliability requirements. In addition to this aggregated data, the CAISO will produce additional figures illustrating the start-up, minimum load costs and energy bid costs separately by each of the local capacity requirement areas. This data is illustrated in Figures 5 through 8 in the Attachment.

### **III. Communications**

Correspondence and other communications regarding this filing should be directed to:

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### **IV. Conclusion**

For the reasons set forth in this filing, the CAISO respectfully requests that

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<sup>2</sup> June 19 Order at P 13.

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the Commission accept this compliance filing as filed, effective May 1, 2014.

Respectfully submitted,

**By: /s/ Anna McKenna**

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Counsel for the California Independent  
System Operator Corporation

Attachment

Figure 1: Total Bid Cost Recovery by Local Capacity Requirement Area

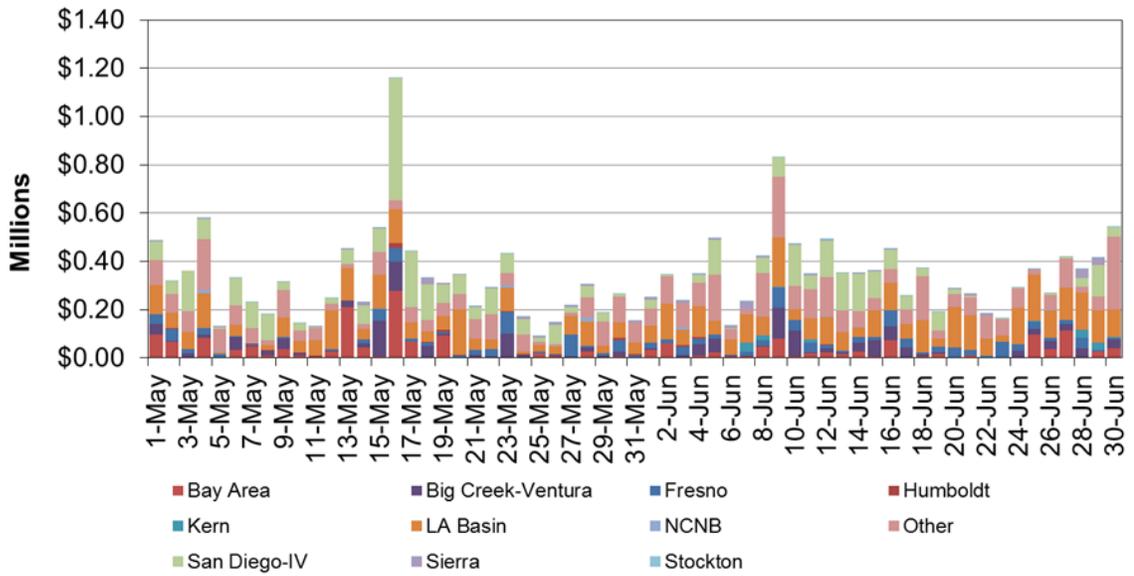


Figure 2: Bid Cost Recovery by Local Capacity Requirement Area in Integrated Forward Market

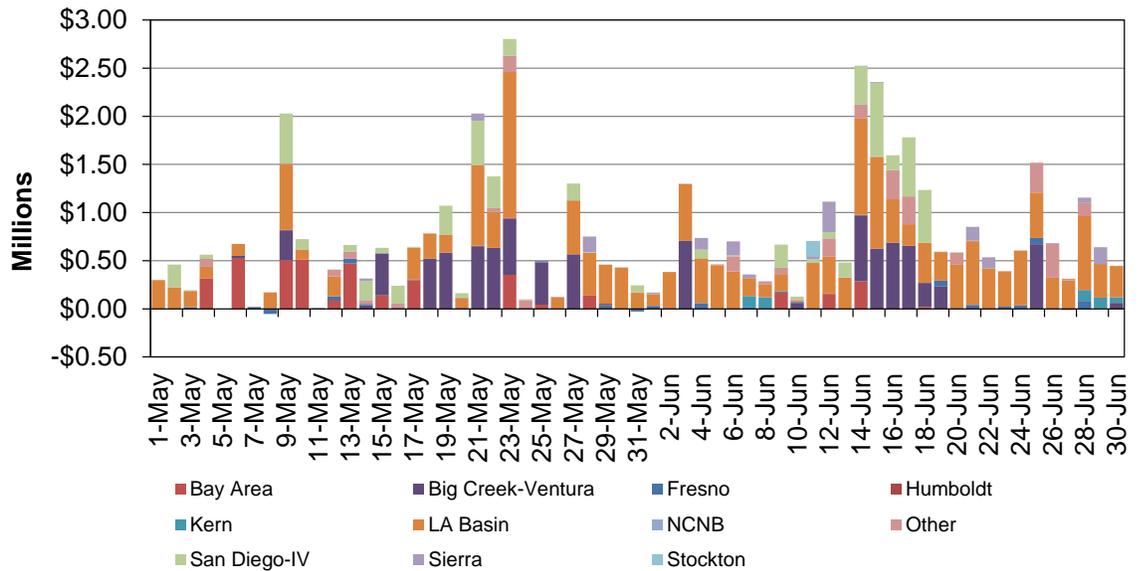


Figure 3: Bid Cost Recovery by Local Capacity Requirement Area in the Residual Unit Commitment

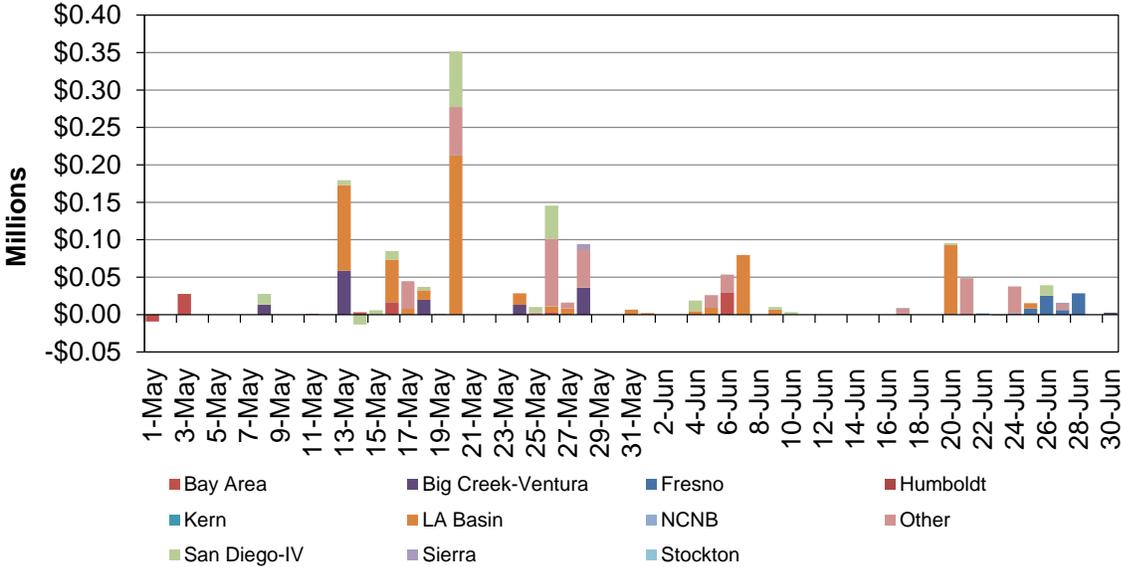


Figure 4: Bid Cost Recovery by Local Capacity Requirement Area in the Real-Time Market

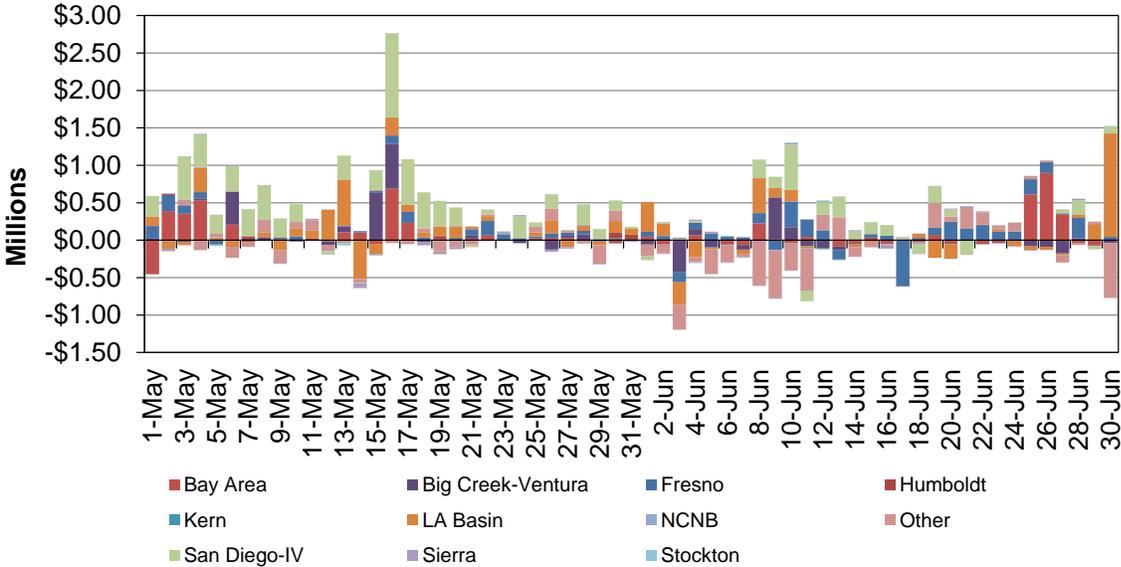


Figure 5: Bid Cost Recovery by Local Capacity Requirement Area by Market

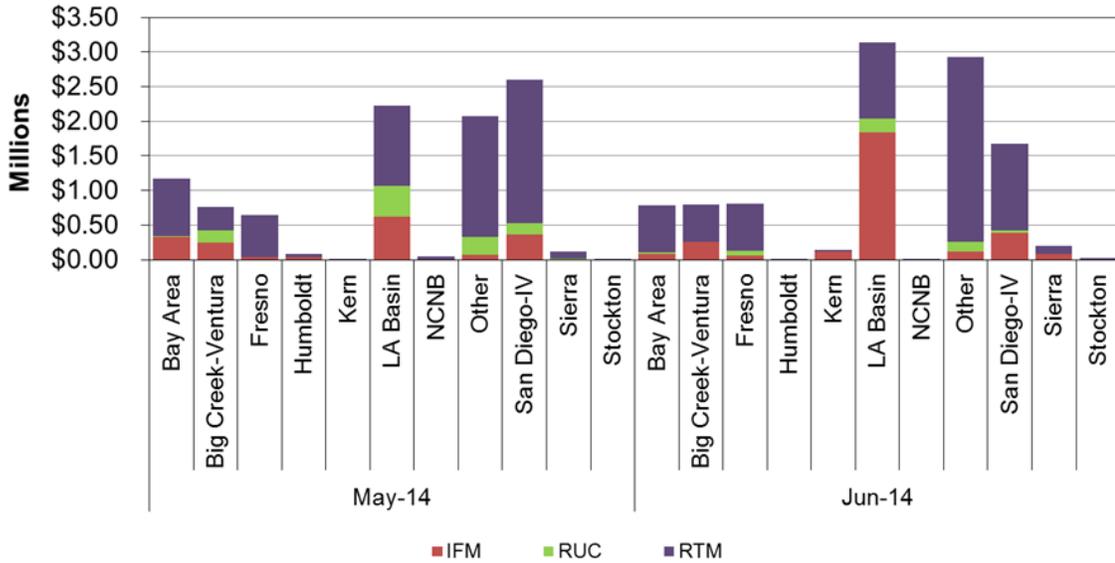
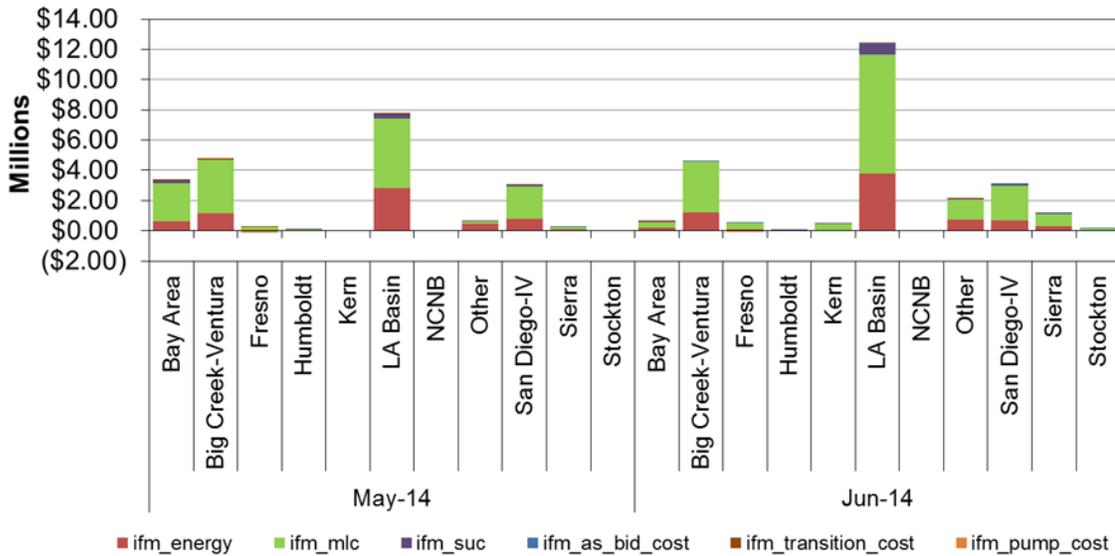


Figure 6: Bid Cost Recovery by Local Capacity Requirement Area by Type of Cost in the Integrated Forward Market





## **CERTIFICATE OF SERVICE**

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the captioned proceeding, 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 21<sup>st</sup> day of July, 2014.

/s/ Sarah M. Garcia