

152 FERC ¶ 61,063  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Philip D. Moeller, Cheryl A. LaFleur,  
Tony Clark, and Colette D. Honorable.

California Independent System Operator Corporation

Docket No. ER15-861-002

ORDER ON COMPLIANCE FILING

(Issued July 21, 2015)

1. In this order, we conditionally accept in part, subject to a further compliance filing, and reject in part, the California Independent System Operator Corporation's (CAISO) May 6, 2015 filing (May 6 Filing) of proposed tariff revisions in compliance with the March 16, 2015 order (March 16 Order).<sup>1</sup>

**I. Background**

2. The Energy Imbalance Market (EIM) enables entities with balancing authority areas (BAAs) outside of CAISO to voluntarily take part in the imbalance energy portion of the CAISO locational marginal price-based real-time market alongside participants from within the CAISO BAA.<sup>2</sup> PacifiCorp's two BAAs—PacifiCorp East and PacifiCorp West—were the initial participants in the EIM.<sup>3</sup> NV Energy, the

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, 150 FERC ¶ 61,191 (2015).

<sup>2</sup> *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231, *order on rehearing, clarification, and compliance*, 149 FERC ¶ 61,058 (2014).

<sup>3</sup> *PacifiCorp*, 147 FERC ¶ 61,227, *order on reh'g, clarification, and compliance*, 149 FERC ¶ 61,057 (2014), *reh'g rejected*, 150 FERC ¶ 61,084 (2015) (conditionally accepting in part and rejecting in part revisions to PacifiCorp's open access transmission tariff to enable participation in the EIM).

second entity to join the EIM, has stated that it plans to commence financially binding EIM operations on October 1, 2015.<sup>4</sup>

3. PacifiCorp commenced financially binding participation in the EIM on November 1, 2014, following a one-month period of parallel operation, during which CAISO ran a real-time representation of the EIM in a parallel but non-binding production environment. On November 13, 2014, CAISO filed in Docket No. ER15-402-000 a petition (Initial Waiver Petition) seeking limited waiver of the pricing parameters in sections 27.4.3.2 and 27.4.3.4 of its tariff for the 90-day period from November 14, 2014 to February 12, 2015. In the Initial Waiver Petition, CAISO explained that transitional conditions in the EIM caused the transmission and system energy-balance constraints described in these tariff sections to bind more frequently than expected since the EIM began operation, resulting in high prices that were not always indicative of actual physical conditions on the system.<sup>5</sup> CAISO asserted that these high prices reflected challenges PacifiCorp had in providing timely and complete data to ensure CAISO had system visibility under the new procedures, exacerbated by limitations on the resources available to PacifiCorp for use in the EIM and several forced outages of large EIM participating resources.<sup>6</sup>

4. On December 1, 2014, the Commission granted the requested limited waiver for the period from November 14, 2014 through February 12, 2015 and directed CAISO to file informational reports at 30-day intervals during the waiver period providing supporting data demonstrating progress towards identifying and eliminating the problems giving rise to the Initial Waiver Petition.<sup>7</sup>

5. On January 15, 2015, CAISO submitted proposed tariff revisions in Docket No. ER15-861-000 intended to address the imbalance energy price spikes in EIM BAAs

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<sup>4</sup> *Nevada Power Co.*, 151 FERC ¶ 61,131 (2015) (conditionally accepting revisions to NV Energy's open access transmission tariff to enable participation in the EIM).

<sup>5</sup> Initial Waiver Petition at 3, 11.

<sup>6</sup> *Id.* at 8-11.

<sup>7</sup> *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,194, at PP 22-23, 25-26 (2014) (December 1 Order). On December 31, 2014, CAISO filed an additional waiver petition, which seeks to apply the same relief granted in the December 1 Order to the period from November 1, 2014 through November 13, 2014. This petition is currently pending in Docket No. ER15-817-000.

by applying the waiver of the pricing parameters to all new EIM Entities<sup>8</sup> for a 12-month period and setting the flexible ramping constraint relaxation parameter to a range between \$0 and \$0.01 (instead of \$60) for each new entity's BAA during such period. CAISO proposed that the new provisions would also apply to the PacifiCorp BAAs for the remainder of their first 12 months of participation in the EIM.

6. In the March 16 Order, the Commission rejected CAISO's proposed tariff revisions but extended the waiver of EIM pricing parameters as previously granted in the December 1 Order.<sup>9</sup> The Commission also instituted an investigation pursuant to section 206 of the FPA<sup>10</sup> into the justness and reasonableness of the EIM pricing provisions of CAISO's tariff related to the imbalance energy price spikes in PacifiCorp's BAAs.<sup>11</sup> In addition, the Commission concluded that readiness safeguards were immediately necessary prior to full activation of any new EIM Entity into the EIM.<sup>12</sup> The Commission directed CAISO to submit a compliance filing within 60 days of the order incorporating requirements in its tariff to ensure readiness prior to new entities commencing operations in the EIM. The Commission specified that such revisions should include: (1) a robust market simulation and appropriate period of parallel operation to ensure that new entities joining the EIM have adequate opportunity to identify and resolve operational issues prior to full activation; and (2) a requirement that CAISO and the new entrant each submit a market readiness certificate at least 30 days prior to full activation in the EIM, certifying the readiness of the new EIM Entity's processes and systems.<sup>13</sup>

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<sup>8</sup> An EIM Entity is a balancing authority that opts to participate in the EIM. *See* CAISO Tariff, Appendix A (Master Definition Supplement).

<sup>9</sup> The waiver was further extended by Commission order on June 19, 2015, effective June 23, 2015 until implementation of a solution addressing the imbalance energy price spikes. *Cal. Indep. Sys. Operator Corp.*, 151 FERC ¶ 61,247 (2015).

<sup>10</sup> 16 U.S.C. § 824e (2012).

<sup>11</sup> An order addressing comments filed by CAISO and intervenors on the technical conference was issued on July 20, 2015. *Cal. Indep. Sys. Operator Corp.*, 152 FERC ¶ 61,060 (2015).

<sup>12</sup> March 16 Order, 150 FERC ¶ 61,191 at P 34.

<sup>13</sup> *Id.*

## II. May 6 Filing

7. CAISO proposes to add two new paragraphs to subsection 29.2(b) of its tariff in compliance with the March 16 Order.<sup>14</sup> CAISO states that the first paragraph, section 29.2(b)(4), sets forth the readiness requirements for potential EIM Entities. Specifically, proposed subsection 29.2(b)(4)(A) provides that CAISO will determine, at least 30 days prior to the potential EIM Entity's implementation date, and in collaboration with the potential EIM Entity, whether the potential EIM Entity's systems and processes are ready for participation in the EIM.<sup>15</sup> Proposed subsection 29.2(b)(4)(B) requires CAISO to develop criteria through a stakeholder process to determine the readiness of the potential EIM Entity's systems and processes to commence participation in the EIM, consistent with the potential EIM Entity's EIM implementation agreement.<sup>16</sup> Proposed subsections 29.2(b)(4)(C)(i), (ii), and (iii) provide that CAISO and the potential EIM Entity will, consistent with the potential EIM Entity's EIM implementation agreements, engage in necessary activities to satisfy the readiness criteria,<sup>17</sup> engage in a market simulation that accounts for the potential EIM Entity's implementation circumstances,<sup>18</sup> and operate in a parallel production mode representing the EIM to demonstrate how the potential EIM Entity's processes and systems will function in the financially binding production environment upon implementation.<sup>19</sup>

8. CAISO states that it plans to publish proposed readiness criteria, to be implemented as part of proposed section 29.4(b)(4), for stakeholder comment shortly after submission of the compliance filing, and will host a call to discuss the criteria and provide stakeholders with two weeks for review and comment.<sup>20</sup> CAISO states that it

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<sup>14</sup> May 6 Filing at 2.

<sup>15</sup> *Id.* at 3; CAISO Tariff, proposed section 29.2(b)(4)(A).

<sup>16</sup> May 6 Filing at 3; CAISO Tariff, proposed section 29.2(b)(4)(B).

<sup>17</sup> May 6 Filing at 3; CAISO Tariff, proposed section 29.2(b)(4)(C)(i).

<sup>18</sup> May 6 Filing at 3; CAISO Tariff, proposed section 29.2(b)(4)(C)(ii).

<sup>19</sup> May 6 Filing at 3; CAISO Tariff, proposed section 29.2(b)(4)(C)(iii).

<sup>20</sup> May 6 Filing at 3 n.7. CAISO posted its presentation on May 7, 2015. CAISO EIM Entity Readiness Criteria (May 6, 2015), *available at* [http://www.aiso.com/Documents/Presentation\\_EnergyImbalanceMarketEntityReadinessCriteria.pdf](http://www.aiso.com/Documents/Presentation_EnergyImbalanceMarketEntityReadinessCriteria.pdf). A revised draft of EIM Entity readiness criteria for NV Energy's

expects the stakeholder process to be completed by June 15, 2015, concurrent with the expected market simulation for NV Energy.<sup>21</sup>

9. CAISO states that proposed section 29.4(b)(5) requires CAISO and the potential EIM Entity to certify the expected readiness of the potential EIM Entity to commence EIM operations, consistent with the Commission's directive in the March 16 Order.<sup>22</sup> Specifically, proposed section 29.4(b)(5) requires CAISO and the potential EIM Entity each to file a certificate with the Commission at least 30 days prior to the potential EIM Entity's implementation date attesting to the expected readiness of the potential EIM Entity's processes and systems on the implementation date.<sup>23</sup>

10. CAISO requests that the proposed tariff revisions become effective as of March 16, 2015, the date of the March 16 Order.<sup>24</sup>

### **III. Notice and Responsive Pleadings**

11. Notice of CAISO's May 6 Filing was published in the *Federal Register*, 80 *Fed. Reg.* 27,300 (2015), with interventions or protests due on or before May 27, 2015. Calpine Corporation filed a timely motion to intervene. The Bonneville Power Administration (BPA) filed a timely motion to intervene and comments.<sup>25</sup> Timely comments were submitted by Southern California Edison Company (SoCal Edison),

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implementation into the EIM was posted on June 12, 2015. CAISO EIM Entity Readiness Criteria for Implementation of Nevada Energy as an EIM Entity (June 10, 2015), *available at* [http://www.caiso.com/Documents/RevisedEnergyImbalanceMarket\\_EntityReadinessCriteria\\_NVEnergyImplementation.pdf](http://www.caiso.com/Documents/RevisedEnergyImbalanceMarket_EntityReadinessCriteria_NVEnergyImplementation.pdf).

<sup>21</sup> The stakeholder process was completed on June 30, 2015. The final readiness criteria are available at <http://www.caiso.com/Documents/EnergyImbalanceMarketEntityReadinessCriteria.pdf>.

<sup>22</sup> May 6 Filing at 2-3 (citing March 16 Order, 150 FERC ¶ 61,191 at P 34 n.86).

<sup>23</sup> CAISO Tariff, proposed section 29.2(b)(5).

<sup>24</sup> May 6 Filing at 4.

<sup>25</sup> BPA styles its intervention as a motion to intervene out-of-time. However, BPA's intervention was filed on the deadline for interventions and comments established in the notice of filing and is therefore timely.

Powerex Corporation (Powerex), and PacifiCorp. Western Power Trading Forum (WPTF) filed a timely comment and protest.<sup>26</sup> Deseret Generation & Transmission Co-operative, Inc. (Deseret) filed a timely protest. CAISO and NV Energy filed answers to the comments and protests on June 11, 2015.

12. PacifiCorp states in its comments that it supports the May 6 Filing and requests that the Commission accept the proposed tariff revisions effective March 16, 2015, as requested by CAISO.<sup>27</sup>

13. WPTF, Powerex, BPA, and Deseret each argue that the readiness criteria developed in the current stakeholder process should be incorporated into CAISO's tariff.<sup>28</sup> WPTF requests that the Commission direct CAISO to submit a further compliance filing to include in its tariff the readiness criteria developed from the stakeholder process and the actual language that it intends EIM Entity officers to execute to attest their readiness.<sup>29</sup> WPTF states that it has concerns that the readiness criteria that CAISO has proposed in the stakeholder process are not sufficiently rigorous, specific, and measurable, and asserts that these criteria and the attestation language for the readiness certificate should be reviewed by the Commission and included in CAISO's tariff.<sup>30</sup>

14. BPA questions whether the metrics CAISO has proposed in the stakeholder process will ensure the readiness of potential participants, and urges the Commission to review the criteria from the perspective of whether such criteria would have prevented the difficulties experienced by PacifiCorp. BPA asserts that permitting a new EIM Entity to commence EIM operations before it is sufficiently prepared could counteract existing operational controls, thereby degrading BPA's service to its customers or potentially causing reliability issues on its system. BPA requests that CAISO minimize this risk by

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<sup>26</sup> On May 28, 2015, WPTF filed a supplement containing an attachment inadvertently omitted from its May 27, 2015 comment and protest.

<sup>27</sup> PacifiCorp Comments at 1.

<sup>28</sup> WPTF Protest at 2-3; Powerex Comments at 1-2; BPA Comments at 5; Deseret Protest at 4.

<sup>29</sup> WPTF Protest at 2-3. Powerex states in its comments that it fully supports WPTF's comments, including WPTF's request that CAISO submit a compliance filing with the readiness requirements. Powerex Comments at 1-2.

<sup>30</sup> WPTF Protest at 2-3.

developing measurable criteria, as directed in the March 16 Order, instead of allowing “workarounds” or “approve[d] exceptions” for identified significant issues, as would be permitted under the current proposal.<sup>31</sup> BPA posits that, if CAISO adopts measurable readiness criteria upon which effectiveness of the new EIM Entity’s entry into the EIM can be predicated, the determination provision in proposed section 29.2(b)(4)(A) would not be necessary, as the potential EIM Entity would simply submit its attestation once it met the criteria.<sup>32</sup>

15. BPA also asserts that the measurable readiness criteria should include the EIM Entity’s ability to interface with its customers, including the ability to issue settlement statements. Finally, BPA states that the criteria should include a demonstration that there will be sufficient participating resources in the EIM Entity’s BAA to allow feasible dispatch solutions in the EIM, because, according to BPA, meeting the flexible ramping sufficiency test does not guarantee that the market can reach a feasible solution.<sup>33</sup>

16. Deseret asserts that the May 6 Filing does not fully comply with the March 16 Order and will not prevent the same type of difficulties experienced by PacifiCorp. Deseret claims that the proposed tariff revisions “incorporate minimal and in many respects, non-substantive changes to the CAISO tariff that simply regurgitate some (but certainly not all) of the Commission’s guiding principles in March 16 Order, and nothing more.”<sup>34</sup> Further, Deseret argues that the certification requirement in CAISO’s May 6 Filing does not comply with the March 16 Order because the proposed tariff language does not specify that the attestation must be signed by a corporate officer of both CAISO and the EIM Entity.<sup>35</sup> Deseret and SoCal Edison also argue that proposed section 29.2(b)(5) sets a lower bar than was required in the March 16 Order by requiring an attestation of expected, rather than actual, readiness. SoCal Edison further contends that section 29.2(b)(5) does not comply with the March 16 Order because it does not require meeting the criteria established via the stakeholder process, but only the EIM implementation agreement. Accordingly, SoCal Edison requests that proposed

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<sup>31</sup> BPA Comments at 7.

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* at 7-8.

<sup>34</sup> Deseret Protest at 4.

<sup>35</sup> *Id.* at 12 (citing March 16 Order, 150 FERC ¶ 61,191 at P 34 n.85).

section 29.2(b)(5) be revised to delete “expected” before “readiness,” and to add a reference to the readiness criteria established per proposed section 29.2(b)(4)(B).<sup>36</sup>

17. BPA, Powerex, and Deseret each raise concerns with the timeline of the CAISO stakeholder process to develop readiness criteria.<sup>37</sup> BPA expresses concern that CAISO has expedited the stakeholder process to develop the readiness criteria for the stated purpose of concluding the process by June 15, 2015, the target date for NV Energy’s EIM market simulation.<sup>38</sup> Powerex notes that CAISO posted its proposed readiness criteria on May 7, 2015, with stakeholder comments due by May 21, 2015, and accordingly asserts that the June 15, 2015 deadline for concluding the stakeholder process is not sufficient to obtain meaningful feedback and stakeholder consensus on appropriate readiness criteria.<sup>39</sup> Deseret questions the brevity, substance, and lack of transparency of the stakeholder process, noting that CAISO deferred the five-week stakeholder process to the end of the 60 days provided for compliance with this directive in the March 16 Order, and that the process itself involves no commitment by CAISO to publish, respond to, or incorporate stakeholder comments on the proposed criteria.<sup>40</sup>

18. Deseret further notes that CAISO and PacifiCorp’s ongoing efforts to train operators, automate manual processes, and create further market enhancements may not be completed until later this year or even as part of CAISO’s “year two” EIM enhancements, which could result in new EIM Entities commencing operations without these important enhancements.<sup>41</sup> Deseret therefore urges that CAISO take time to develop clear tariff provisions that require more rigorous training and testing under a variety of load and resource conditions prior to a new EIM Entity commencing financially binding operations.<sup>42</sup>

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<sup>36</sup> SoCal Edison Comments at 3.

<sup>37</sup> BPA Comments at 4; Powerex Comments at 2, Deseret Protest at 4, 7-8.

<sup>38</sup> BPA Comments at 4.

<sup>39</sup> Powerex Comments at 2 and n.3.

<sup>40</sup> Deseret Protest at 4, 7-8.

<sup>41</sup> *Id.* at 6.

<sup>42</sup> *Id.* at 6-7.



19. In addition, Deseret asserts that the results of potential EIM Entities' market simulations and parallel operation should be fully quantified and disclosed, to provide stakeholders the ability to challenge any prematurely filed readiness certifications.<sup>43</sup> Deseret thus requests that CAISO's tariff require reporting on CAISO and the EIM Entity's open access same-time information system websites of EIM infeasibilities, prices, unexpected errors, specific tests of communications systems, operator training completion, outage reporting systems, scheduling systems, and settlements. To the extent that CAISO and EIM Entity executives are given discretion to approve exceptions to results, Deseret asserts that they must be required to fully explain the rationale for doing so and to demonstrate that providing such an exception will not lead to adverse market results.<sup>44</sup> Deseret notes its continued concerns with the lack of independence in the structure of the EIM, and asserts that allowing the EIM Entity to dictate the establishment of readiness criteria without meaningful stakeholder participation calls into question the adequacy and fairness of such criteria.<sup>45</sup>

20. Finally, Deseret argues that if CAISO and the EIM Entity are not willing to certify actual readiness, customers should be protected from issues such as the price spikes experienced in PacifiCorp's BAAs via either a waiver of penalty prices for at least the first 120 days of EIM operations or a temporary reversion plan to reinstate pre-EIM imbalance pricing should difficulties arise.<sup>46</sup>

21. CAISO asserts in its answer that many of the issues raised in the protest and comments go beyond the scope of whether the May 6 Filing complies with the Commission's directives in the March 16 Order.<sup>47</sup> In particular, CAISO claims that concerns raised by Deseret and BPA regarding market data submittal deadlines and the sufficiency of participating resources both misperceive the causes of the imbalance energy price spikes and are more appropriately addressed in connection with the post-technical conference comments in Docket Nos. ER15-861-000 and EL15-53-000.<sup>48</sup> CAISO likewise asserts that Deseret's request for a temporary waiver of penalty pricing

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<sup>43</sup> *Id.* at 9.

<sup>44</sup> *Id.* at 10.

<sup>45</sup> *Id.* at 10-11.

<sup>46</sup> *Id.* at 13.

<sup>47</sup> CAISO Answer at 3-4.

<sup>48</sup> *Id.* at 7.

during initial EIM operations or a temporary reversion plan is beyond the scope of the compliance obligations at issue in this proceeding.<sup>49</sup> CAISO notes, however, that it has already publicly announced that it plans to commence a stakeholder process to develop a new tariff amendment to address transitional issues, and that section 29.1(d) of its tariff currently provides for temporary reversion if the entry of a new EIM Entity has an adverse impact on system or market operations.<sup>50</sup> NV Energy supports Deseret's request for a transition pricing period.<sup>51</sup>

22. CAISO and NV Energy each assert in their answers that the readiness criteria do not need to be included in CAISO's tariff.<sup>52</sup> According to CAISO, the March 16 Order did not direct CAISO to develop tariff criteria, but only required that CAISO include in its tariff a readiness certification, market simulation, and period of parallel operation.<sup>53</sup> CAISO and NV Energy argue that the readiness criteria constitute implementation details that do not require inclusion in the filed tariff under the Commissions "rule of reason."<sup>54</sup> CAISO states that not including the readiness criteria in the tariff will enable it to more quickly and easily modify the readiness criteria, with stakeholder input, based on lessons learned.<sup>55</sup> CAISO and NV Energy further assert that CAISO should be afforded flexibility to determine how the criteria should apply specifically to each potential EIM Entity, based on the unique circumstances of each new entity.<sup>56</sup> NV Energy states that the Commission previously found that permitting an independent system operator to

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<sup>49</sup> *Id.* at 8-9.

<sup>50</sup> NV Energy also points out that CAISO's tariff includes a reversion plan. NV Energy Answer at 8-9.

<sup>51</sup> *Id.*

<sup>52</sup> *Id.* at 3-4; CAISO Answer at 3-4.

<sup>53</sup> CAISO Answer at 4.

<sup>54</sup> *Id.* at 5; NV Energy Answer at 3-4 (citing *Cal. Indep. Sys. Operator Corp.*, 122 FERC ¶ 61,271, at PP 16-18 (2008); *City of Cleveland v. FERC*, 773 F.2d 1368, 1376 (D.C. Cir. 1985)).

<sup>55</sup> CAISO Answer at 5, 6. In addition, CAISO contends that it is not obligated to agree with and accept all stakeholder comments in developing the readiness criteria. *Id.* at 4-5.

<sup>56</sup> *Id.* at 5; NV Energy Answer at 4.

include details regarding its testing process in a business practice manual provided appropriate flexibility to work with stakeholders to make necessary adjustments and achieve better results from the testing process.<sup>57</sup>

23. NV Energy disagrees with commenters' assertions that the readiness criteria stakeholder process is too rushed and does not provide for meaningful stakeholder input.<sup>58</sup> NV Energy states that CAISO intends to publish a second round of stakeholder discussion documents in response to the initial stakeholder meeting, and will likely respond to several stakeholder concerns prior to the second stakeholder conversations scheduled for June 16, 2015.<sup>59</sup> CAISO asserts that concerns regarding the brevity of the stakeholder process on readiness criteria are beyond the scope of the current proceeding, as the March 16 Order did not establish a timeline for this process.<sup>60</sup>

24. In response to Deseret's request that CAISO provide detailed reports on the result of the market simulation and period of parallel operation, CAISO states that it published the results of PacifiCorp's market simulation and parallel operation period, and intends to do so for future EIM Entities as well, but that this practice does not need to be included as a tariff requirement.<sup>61</sup> NV Energy agrees that the results of market simulations should be reported, consistent with CAISO tariff confidentiality rules, and states that it supports the possibility of a report of market outcomes and solutions to observed pricing issues during market simulation to be appended to the officer certification.<sup>62</sup> NV Energy states that it does not support establishing performance criteria or reporting the outcomes of the period of parallel operation.<sup>63</sup> NV Energy claims that the parallel operation period is intended to provide new EIM Entity operators the opportunity to gain familiarity with their new systems and experiment with the most efficient deployment of resources, and

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<sup>57</sup> NV Energy Answer at 4 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 135 FERC ¶ 61,035, at P 31 (2011)).

<sup>58</sup> *Id.* at 4-5.

<sup>59</sup> *Id.*

<sup>60</sup> CAISO Answer at 7.

<sup>61</sup> *Id.* at 6.

<sup>62</sup> NV Energy Answer at 5.

<sup>63</sup> *Id.* at 5-6.

therefore may lead to infeasibilities that would not be appropriately measured by the proposed performance metrics.

25. NV Energy asserts that proposed section 29.2(b)(5) is fully consistent with the Commission's directives in the March 16 Order.<sup>64</sup> With respect to Deseret's and SoCal Edison's concerns regarding the readiness certification, CAISO argues that certifying expected, rather than actual readiness, is reasonable, because it does not believe that the Commission would have required a certification of "anything more than the readiness criteria are satisfied or will be satisfied by the planned implementation date," and that specifying that the certification be made by an officer is not necessary.<sup>65</sup> Similarly, NV Energy notes that previous readiness certifications, such as those submitted by CAISO for its Market Redesign and Technology Upgrade and by Southwest Power Pool, Inc. for its Integrated Marketplace, have certified only that the system will be ready on the expected date provided that certain additional milestones are met.<sup>66</sup> NV Energy does not object to SoCal Edison's request to include a reference in section 29.2(b)(5) to the readiness criteria established per section 29.2(b)(4)(B).<sup>67</sup>

#### **IV. Discussion**

##### **A. Procedural Matters**

26. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motions to intervene serve to make the movants parties to the proceeding.

27. Rule 213(a) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2014), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We will accept the answers submitted by CAISO and NV Energy because they have provided information that assisted us in our decision-making process.

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<sup>64</sup> *Id.* at 7-8.

<sup>65</sup> CAISO Answer at 7-8.

<sup>66</sup> NV Energy Answer at 7-8 (citing CAISO MRTU Market Readiness Certification at 1, Docket No. ER06-615-038 (filed Jan. 16, 2009); Certification of Readiness to Implement the Integrated Marketplace by Southwest Power Pool, Inc. at 5, Docket No. ER12-1179-015 (filed May 27, 2015)).

<sup>67</sup> *Id.* at 8.

## **B. Commission Determination**

28. We conditionally accept in part, subject to a further compliance filing, and reject in part, the May 6 Filing, effective March 16, 2015, as requested. We find that the May 6 Filing only partially complies with the directives in the March 16 Order with respect to readiness safeguards for new entrants joining the EIM.<sup>68</sup> In particular, we find that CAISO's requirement to develop readiness criteria in proposed section 29.2(b)(4)(B) does not comply with the March 16 Order and therefore reject this provision. We further find that CAISO's proposed readiness activities and certificate requirements in sections 29.2(b)(4)(C) and 29.4(B)(5) partially comply with the March 16 Order, and therefore conditionally accept these provisions, subject to a further compliance filing. We accept the proposed tariff revisions in section 29.2(b)(4)(A) requiring CAISO and the potential EIM Entity to make a readiness determination.

29. First, we find that proposed section 29.2(b)(4)(B) does not comply with the March 16 Order and therefore reject this provision. The March 16 Order required the development of "measurable readiness criteria through a collaborative process with [CAISO's] stakeholders, upon which effectiveness of the potential EIM Entity's entry into the EIM can be predicated" as a key component of these safeguards.<sup>69</sup> CAISO proposes to meet this requirement through proposed section 29.2(b)(4)(B) which provides that CAISO "shall develop criteria through a stakeholder process for determining whether the systems and processes of the [potential EIM Entity] are ready to commence participation in the [EIM] consistent with the EIM Implementation Agreement."<sup>70</sup> This language simply repeats the directive in the March 16 Order and neither establishes any measures or criteria, nor conditions the potential EIM Entity's actual entry into the EIM on achievement of any criteria or measures. Consistent with the March 16 Order, the readiness criteria must be filed with the Commission and included in CAISO's tariff to ensure that they will provide transparent, meaningful, and measurable standards by which to judge the readiness of potential EIM Entities.

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<sup>68</sup> We note with concern the generic nature of certain aspects of the May 6 Filing. While the May 6 Filing arguably embodies an attempt to comply with the letter of the March 16 Order, the detail contained in, and effort evidenced by, the compliance filing fall short of the Commission's expectations and intent of the March 16 Order, particularly given the gravity of the FPA section 206 proceeding instituted in that order. We expect CAISO to provide more thorough responses to Commission directives going forward.

<sup>69</sup> March 16 Order, 150 FERC ¶ 61,191 at P 34.

<sup>70</sup> CAISO Tariff, proposed section 29.2(b)(4)(B).

30. We disagree with CAISO's characterization of the readiness criteria as "implementation details"<sup>71</sup> that do not need to be included in its filed tariff. Provisions that "significantly affect rates, terms, and conditions" must be included in the tariff.<sup>72</sup> We find that the criteria by which CAISO intends to judge readiness significantly affect the terms and conditions of service and must be included in CAISO's tariff. Consistent with the March 16 Order, we continue to believe that meeting the readiness criteria is necessary prior to full activation of any potential EIM Entity in the EIM to avoid, or at least lessen, the risk of difficulties such as the imbalance energy price spikes experienced during PacifiCorp's implementation into the EIM. The criteria that will be used to demonstrate that an EIM Entity is ready to commence financially binding operations in the EIM thus significantly affect the provision of EIM service under CAISO's tariff. We therefore reject proposed section 29.2(b)(4)(B) and direct CAISO to submit a further compliance filing, within 60 days after the date of this order, to include the readiness criteria developed through the stakeholder process in its tariff. The criteria should address, at a minimum: full network model integration, systems readiness, load and variable energy resource forecasting, communications systems between the potential EIM Entity and CAISO, the ability to issue settlement statements, outage management, scheduling, market simulation, parallel production plan, and training.<sup>73</sup> In addition, with respect to Deseret's and BPA's concerns that CAISO intends to provide exceptions to such criteria, the standards and process for granting any such exceptions should be explained in the compliance filing. Regarding BPA's comment that the readiness criteria should include a demonstration of the sufficiency of participating resources, CAISO should, in its stakeholder process to develop the readiness criteria, explore the extent and practicality of such a demonstration in the market simulation and parallel operation environment.

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<sup>71</sup> The Commission has found that it is appropriate for "implementation details, such as instructions, guidelines, examples and charts, which guide internal operations and inform market participants of how the CAISO conducts its operations under the...tariff" to be set forth in a business practice manual instead of the filed tariff. *Cal. Indep. Sys. Operator Corp.*, 122 FERC ¶ 61,271, at P 16 (2008).

<sup>72</sup> *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,076, at P 656 (2007) (citing *ANP Funding I, LLC v. ISO New England Inc.*, 110 FERC ¶ 61,040, at P 22 (2005); *Prior Notice and Filing Requirements under Part II of the FPA*, 64 FERC ¶ 61,139, at 61,986-61,989 (1993), *order on reh'g*, 65 FERC ¶ 61,081 (1993)).

<sup>73</sup> We note that the specific metrics used to determine whether each criterion has been met may be contained in a business practice manual.

31. We conditionally accept for filing proposed sections 29.2(b)(4)(C)(i), (ii), and (iii), subject to a further compliance filing addressing references in these provisions to the potential EIM Entity's EIM implementation agreement, as discussed below. These provisions comply with the directive in the March 16 Order that CAISO revise its tariff to require a robust market simulation and appropriate period of parallel operation.<sup>74</sup> By requiring that CAISO and the potential EIM Entity engage in activities to satisfy the readiness criteria, engage in a market simulation that accounts for the potential EIM Entity's implementation circumstances, and operate in a parallel production model representing the EIM to demonstrate how the potential EIM Entity's processes and systems will function in the financially binding production environment, these provisions will help "ensure that new entities joining the EIM have adequate opportunity to identify and resolve operational issues prior to full activation," consistent with the March 16 Order.<sup>75</sup>

32. We will not require CAISO to set forth additional details regarding the timing and duration of the market simulation and parallel operation period in its tariff because the timing of these processes may vary based on the potential EIM Entity's implementation and operational circumstances and system characteristics. We note, however, that CAISO and the potential EIM Entity need to consider the appropriate timing and duration of the period of parallel operation in light of the attestation requirement in proposed section 29.2(b)(5), to ensure an adequate period of parallel operation prior to CAISO certifying readiness of the potential EIM Entity's systems and processes.

33. Furthermore, CAISO has not explained why proposed sections 29.2(b)(4)(B), 29.2(b)(4)(C)(i), (ii), and (iii) require that the development of the readiness criteria, activities undertaken to satisfy the readiness criteria, market simulation, and parallel production be performed "consistent with the EIM Implementation Agreement." The determination that a potential EIM Entity is ready to commence financially binding operation in the EIM should be premised on measurable criteria developed through a stakeholder proceeding, and not the project milestones and delivery dates in the potential EIM Entity's EIM implementation agreement. Accordingly, we direct CAISO in its compliance filing to either remove references to the EIM implementation agreement in its proposed tariff language, or to clarify why such references are appropriate.

34. We find that proposed section 29.2(b)(5) partially complies with the March 16 Order, and thus conditionally accept it, subject to a further compliance filing. As proposed in the May 6 Filing, section 29.2(b)(5) requires CAISO and the potential EIM

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<sup>74</sup> March 16 Order, 150 FERC ¶ 61,191 at P 34.

<sup>75</sup> *Id.*

Entity to each file a certificate with the Commission at least 30 days prior to expected EIM implementation date set forth in the EIM implementation agreement “attesting to the expected readiness of the processes and systems of the [potential EIM Entity] on the EIM Implementation Date.”<sup>76</sup> As an initial matter, we agree with SoCal Edison that proposed section 29.2(b)(5) should be expressly based on the readiness criteria established per section 29.2(b)(4)(B); satisfaction of these criteria should predicate the actual start of financially binding operations with the EIM Entity. Accordingly, we direct CAISO to submit a compliance filing within 60 days after the date of this order revising section 29.2(b) to clarify that meeting the readiness criteria is a condition precedent to the potential EIM Entity commencing financially binding operations in the EIM.

35. In addition, the March 16 Order directed CAISO to require a market readiness certificate certifying readiness of the potential EIM Entity’s processes and systems.<sup>77</sup> CAISO’s proposed language only requires an attestation of “expected readiness.” While the Commission recognizes that CAISO and the potential EIM Entity may not be able to confirm actual readiness 30 days prior to implementation, they must at least be prepared to: (1) certify that, barring any unforeseen developments, the systems and processes will be ready on the anticipated start date; (2) identify any known issues requiring resolution prior to implementation and plans to resolve such issues; and (3) attest that actual implementation on the start date will be subject to resolution of remaining concerns.<sup>78</sup> Furthermore, and consistent with the readiness certificate filed by CAISO prior to implementation of its Market Redesign and Technology Upgrade, we confirm that the readiness certificates must be signed by senior officers of CAISO and the potential EIM Entity.<sup>79</sup> Finally, in the event that CAISO determines that it cannot proceed with implementation after filing its readiness certificate, CAISO must notify the Commission as to the reason for the delay and whether it will withdraw its readiness certification. We direct CAISO to submit a compliance filing within 60 days after the date of this order

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<sup>76</sup> CAISO Tariff, proposed section 29.2(b)(5).

<sup>77</sup> March 16 Order, 150 FERC ¶ 61,191 at P 34 (requiring that “CAISO and the new entrant each submit a market readiness certificate...certifying the readiness of the new EIM Entity’s processes and systems); *id.* P 34 n.85 (noting that future entrants to the EIM are to file a sworn affidavit attesting that the new member’s system “is ready, including all communication systems and transparency to CAISO of unit status”).

<sup>78</sup> *See Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,221, at PP 8-10, 75 (2009) (addressing the readiness certificate filed by CAISO prior to launching its Market Redesign and Technology Upgrade).

<sup>79</sup> *Id.* P 7.



revising section 29.2(b)(5) to address the foregoing issues in the manner described here. Given the clarity provided by these revisions, we do not find it necessary to include in CAISO's tariff the specific language for the attestation certificate, as WPTF requests.

36. Further, we note that CAISO has not employed consistent terminology throughout proposed sections 29.2(b)(4) and 29.2(b)(5). For example, proposed section 29.2(b)(4)(C) refers to the potential new entrant to the EIM as "the Balancing Authority that has executed an EIM Implementation Agreement," but subsections 29.2(b)(4)(C)(i), (ii), and (iii) refer to the same party as the "EIM Entity." In its transmittal letter, CAISO refers to this party as a "potential EIM Entity." We find that the use of inconsistent terminology could result in confusion. We therefore direct CAISO, on compliance, to make any necessary corrections to ensure consistent terminology throughout these tariff provisions.

37. We accept for filing proposed section 29.2(b)(4)(A) of the CAISO tariff, which requires CAISO and the potential EIM Entity to make a determination no later than 30 days prior to the expected implementation date that the potential EIM Entity's systems and processes are ready for participation in the EIM based on the readiness criteria. Determining that the potential EIM Entity's systems and processes are ready is a logical first step to attesting to such readiness in the certificate required by the March 16 Order, and is therefore consistent with the Commission's compliance directives.

38. We agree that CAISO should continue to publish the results of potential EIM Entities' market simulations and parallel operation periods, and further direct CAISO to make the status of CAISO's and the potential EIM Entity's readiness activities publicly available to market participants, via a checklist or dashboard on CAISO's website. This posting should include information on the extent to which CAISO and the potential EIM Entity intend to rely on "workarounds" or exceptions to the metrics for meeting the readiness criteria. We find that these measures are necessary to ensure the transparency of the readiness activities and provide an opportunity for market participants to review and comment on any such planned "workarounds" or exceptions.

39. With regard to commenters concerns' regarding the timeline, transparency, and opportunity for meaningful stakeholder participation throughout the readiness criteria stakeholder process, we remind CAISO that carefully developed, measurable readiness criteria should be the basis for determining the actual date on which a potential EIM Entity begins financially binding participation in the EIM. Conversely, meeting a potential EIM Entity's preferred start date should not be a determining factor in developing such criteria. It is crucial that the readiness criteria to be included in CAISO's tariff reflect careful consideration of the challenges faced by potential EIM Entities integrating into the EIM, and we expect such consideration to take precedence over any anticipated start date.

40. Finally, Deseret's request that customers be protected from post-EIM implementation price spikes via a waiver of penalty prices or temporary reversion plan is beyond the scope of the compliance filing addressed in this proceeding. However, we note CAISO's assertions that it plans to commence a stakeholder process in the near future to develop a proposal for a transitional pricing period.<sup>80</sup> In addition, as CAISO points out, section 29.1(d) of CAISO's tariff provides that CAISO may, within 60 days following implementation of a new EIM Entity in the EIM, temporarily suspend the EIM Entity's participation in the EIM for up to 60 days.

The Commission orders:

(A) CAISO's proposed tariff revisions are hereby conditionally accepted for filing, in part, to be effective March 16, 2015, as requested, subject to a further compliance filing, and rejected, in part, as discussed in the body of this order.

(B) CAISO is hereby directed to submit a compliance filing within 60 days of the date of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>80</sup> CAISO Answer at 8-9.