

164 FERC ¶ 61,065
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

July 30, 2018

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER18-1699-000

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

Attention: David Zlotlow

Dear Mr. Zlotlow:

1. On May 30, 2018, the California Independent System Operator Corporation (CAISO) filed a petition to exempt 42 demand response resources, represented by four scheduling coordinators, from non-availability charges and incentive payments under the Resource Adequacy Availability Incentive Mechanism (RAAIM) that would be charged or paid, respectively, from April 1, 2017, to April 30, 2018.¹
2. CAISO explains that resources with a maximum resource capacity (pmax) below one MW are exempt from RAAIM non-availability charges and incentive payments.² CAISO states that it has incorrectly applied the exemption to the 42 demand response resources at issue in this filing since RAAIM became financially binding on April 1, 2017.³ CAISO states that, in January 2018, it discovered that the systems it uses to calculate RAAIM and its predecessor, the Standard Capacity Product, were not configured to eliminate the pmax-based exemption for resources that were eligible at one

¹ CAISO Transmittal at 1.

² *Id.* (citing Tariff Section 40.9.2.1(a)).

³ *Id.* at 1-2. CAISO lists the resources and scheduling coordinators in a separate attachment filed under a claim of privilege.

point, but later increased their pmax to one MW or higher such that they were no longer eligible for the exemption. The failure to recognize the pmax increase from below one MW to one MW or higher caused the system to treat these resources as though they were permanently exempt from RAAIM regardless of their current pmax.⁴

3. CAISO explains that 33 of the 42 resources had a pmax below one MW when RAAIM become financially binding, which initially qualified these resources for the one MW exemption, but these resources increased their pmax to one MW or above at some point after RAAIM was financially binding. According to CAISO, the remaining nine resources had a pmax above one MW before RAAIM was in effect, and never should have qualified for the exemption.⁵ CAISO states that it started applying the RAAIM requirements to the affected resources correctly as of May 1, 2018.

4. CAISO indicates that the scheduling coordinators involved may have had the incorrect impression that their bidding activity was uncoupled from RAAIM impacts due to CAISO providing erroneous settlement statements showing no exposure to RAAIM. CAISO states that, had scheduling coordinators received correct settlement statements during that time, they could have adjusted their bidding behavior. Further, CAISO explains that their confusion may have been compounded by the resources' exemption from the preceding Standard Capacity Product. Notwithstanding the confusion and mistaken belief that the resources were exempted from RAAIM, CAISO explains that, absent a waiver, the tariff requires CAISO to apply RAAIM charges and payments to these resources retroactively. CAISO states that based on discussions with the most significantly impacted scheduling coordinator, it believes that recalculating the settlement statements would result in approximately \$300,000 in RAAIM charges to the resources.

5. CAISO requests a limited waiver of tariff section 40.9 to excuse all RAAIM non-availability charges and incentive payments that otherwise would apply to the aforementioned resources from April 1, 2017 through April 30, 2018. CAISO asserts that its waiver request satisfies the Commission's four criteria for waiver.⁶ First, CAISO states that it has acted in good faith because it promptly filed the Petition as soon as practicable. CAISO argues that the waiver would apply to circumstances where persistent incorrect CAISO settlement statements, combined with potential confusion

⁴ CAISO states that under the Standard Capacity Product, the issue had no practical impact because all of the resources whose pmax went from below one MW to one MW or above were demand response resources that were subject to the Standard Capacity Product's exemption for demand response, irrespective of their pmax.

⁵ CAISO Transmittal at 2.

⁶ *Id.* at 8-9.

over a major market change and historical practice, could have created reasonable reliance. Second, CAISO explains its request is limited in scope because the waiver will only apply to four scheduling coordinators for 42 resources, to a period of April 1, 2017 to until April 30, 2018. Furthermore, CAISO explains that 33 of the resources were exempt during part of the period. Third, CAISO claims it will solve the concrete problem that CAISO would be applying charges retroactively, while the scheduling coordinators cannot change their bidding behavior retroactively and the scheduling coordinators could have reasonably believed these resources exempt. Fourth, CAISO argues that waiver will not have undesirable consequences because it will not undermine RAAIM's role in establishing incentives for resource adequacy capacity, and because the small potential gain to some market participants would be outweighed by the inequity borne by a few market participants.

6. Notice of CAISO's Petition was published in the Federal Register, 83 Fed. Reg. 26,276 (2018), with protests and interventions due on or before June 20, 2018. No protests were filed. California Department of Water Resources State Water Project and Northern California Power Agency filed timely, unopposed motions to intervene. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2017), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

7. The Commission has granted waiver 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.⁷ We find that CAISO's unopposed Petition to exempt the stated demand response resources from RAAIM non-availability charges and incentive payments satisfies the foregoing four criteria.

8. First, CAISO demonstrated that it acted in good faith by promptly filing the petition as soon as practicable after it learned of the issue. Second, CAISO's request is limited in scope, because it involves a limited time period and specified scheduling coordinators and resources that received incorrect settlement statements from CAISO, as described above. Third, CAISO's petition addresses a concrete problem because it prevents the assessment of availability charges and payments to resources that received settlement statements from CAISO that incorrectly indicated that they were exempt from RAAIM and that did not have an opportunity to alter their behavior accordingly. Fourth, granting the waiver request will not result in undesirable consequences because, under

⁷ See, e.g., *Midcontinent Indep. Sys. Operator, Inc.*, 154 FERC ¶ 61,059, at P 14 (2016); *Calpine Energy Serv., LP*, 154 FERC ¶ 61,082, at P 12 (2016); *New York Power Auth.*, 152 FERC ¶ 61,058, at P 22 (2015).

Docket No. ER18-1699-000

- 4 -

these circumstances, it will not adversely impact the integrity of RAAIM going forward and the program's ability to incentivize bidding behavior.⁸

9. For these reasons, we grant CAISO's request for waiver.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

⁸ Moreover, as noted above, CAISO's waiver request was uncontested.

Document Content(s)

ER18-1699-000.DOCX.....1-5