

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

In Reply Refer To  
California Independent System  
Operator Corporation  
Docket No. ER16-1483-000  
**June 17, 2016**

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

Attention: Roger E. Collanton  
General Counsel

Reference: Deficiency Letter

Dear Mr. Collanton:

On April 21, 2016, the California Independent System Operator Corporation (CAISO) filed tariff revisions to address frequency response performance in response to new frequency response requirements of the North American Electric Reliability Corporation (NERC) Reliability Standard BAL-003-1 (BAL-003-1). Specifically, CAISO proposes to revise its tariff to: (1) modify requirements for generators with governor controls; (2) establish the authority to procure transferred frequency response from other balancing authorities; (3) allocate the cost of transferred frequency response to CAISO demand; (4) clarify CAISO's practice of designating operating reserves procured day-ahead as contingency only reserves in real-time; and (5) clarify that participating transmission owners and CAISO may issue voltage schedules.

Among other things, CAISO states that its proposed revisions would give CAISO the right to make an adjustment on the NERC compliance forms associated with BAL-003-1. CAISO states that the proposed tariff revisions "provide the CAISO with authority to negotiate contracts for transferred frequency response with another balancing authority...for purposes of complying with Reliability Standard BAL-003-1."<sup>1</sup> CAISO contends that it "is not proposing to procure frequency response service from other

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<sup>1</sup> CAISO Transmittal Letter at 6.

balancing authorities...[but] only to procure the right to adjust its performance obligation in connection with selected frequency response events for purposes of NERC compliance.”<sup>2</sup>

Please be advised that the filing is deficient and that additional information is necessary to process the filing. Please provide the information requested, which address revisions contemplated under (1) and (2) above:

1. CAISO proposes certain requirements for generators with governor controls that it states are in accordance with Western Electricity Coordinating Council (WECC) criteria and NERC reliability guidelines. The NERC Reliability Guideline for Primary Frequency Control provides “recommended settings for governors or equivalent frequency control devices” and the recommended settings are not limited to synchronous generators.<sup>3</sup> Please explain why CAISO’s proposed tariff revisions only apply to resources with governor controls rather than to all participating generators equipped to provide primary frequency response, including non-synchronous resources.
2. Please provide a detailed explanation of any CAISO discussions with WECC and NERC regarding transferred frequency response as well as the outcome of these discussions. Describe any feedback WECC and NERC provided regarding the potential implications of CAISO’s proposed actions for BAL-003-1 compliance, including any indications of the effect on NERC’s analysis and risk assessment supporting its initial allocations of frequency response obligations to all balancing authorities or any indications of potentially adverse impacts on Western Interconnection frequency response. Please provide any supporting documents reflecting these discussions.
3. CAISO states in its transmittal letter that it proposes to procure transferred frequency response in advance of the BAL-003-1 compliance year; however, the proposed tariff provisions do not specify the timing of this procurement. Please explain the timing of CAISO’s procurement of transferred frequency response and explain step-by-step how CAISO will adjust frequency response values on NERC

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<sup>2</sup> *Id.* at 15.

<sup>3</sup> NERC, *Reliability Guideline: Primary Frequency Control* at 9 (Dec. 2015), available at [http://www.nerc.com/comm/OC/Reliability%20Guideline%20DL/Primary\\_Frequency\\_Control\\_final.pdf](http://www.nerc.com/comm/OC/Reliability%20Guideline%20DL/Primary_Frequency_Control_final.pdf).

Frequency Response Standard Forms 1 and 2. Would CAISO obtain transferred frequency response in advance of the compliance period or after-the-fact? If the latter, please explain the anticipated impact of an after-the-fact adjustment on frequency response performance during the year.

4. In its May 19 Answer, CAISO states that “transferred frequency response will not adjust a balancing authority’s obligation itself.”<sup>4</sup> This statement appears to contradict the example presented in its April 21 filing, as well as the assertion that CAISO intends “to procure the right to adjust its performance obligation in connection with selected frequency response events for purposes of NERC compliance.”<sup>5</sup> Clarify whether CAISO proposes to place a claim on the frequency response performance of another balancing authority or other balancing authorities or, in contrast, if CAISO seeks to transfer all or a portion of the initially allocated frequency response obligation under BAL-003-1.
5. What, if any, analysis has CAISO performed to assess the potential impact of the proposed adjustments to CAISO’s frequency response obligation on the Western Interconnection’s overall frequency response requirement?
6. CAISO states in its transmittal letter that through its proposed competitive solicitation process, it may either select a winning bidder or rely on manual commitments through exceptional dispatches. Explain how CAISO intends to estimate the cost of using exceptional dispatch to satisfy its frequency response obligation. When evaluating whether to secure transferred frequency response through a competitive solicitation process, please note any other short-term compliance methods, if any, CAISO considered. Also explain the efforts CAISO has made to evaluate if resources within its balancing authority are providing any frequency response.

This letter is issued pursuant to delegated authority, 18 C.F.R. § 375.307 (a) (1)(v) and is interlocutory. This letter is not subject to rehearing pursuant to 18 C.F.R. § 385.713. CAISO must respond to this letter within 30 days of the date of this letter by making an amendment filing in accordance with the Commission’s electronic tariff

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

<sup>5</sup> CAISO Transmittal Letter at 15.

requirements.<sup>6</sup> An additional electronic copy of the response should be emailed to Angela Amos at Angela.Amos@ferc.gov.

The filing requested in this letter will constitute an amendment to the filing, and a new filing date will be established, pursuant to *Duke Power Company*, 57 FERC ¶ 61,215 (1991), upon receipt of CAISO's electronic tariff filing. A notice of amendment will be issued upon receipt of the response.

Failure to respond to this deficiency letter within the time period specified, and in the manner directed above, may result in an order rejecting the filing. Until receipt of the amendment filing, a new filing date will not be assigned to this case.

Sincerely,

Steve Rodgers, Director  
Division of Electric Power  
Regulation – West

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<sup>6</sup> Electronic Tariff Filings, 130 FERC ¶ 61,047, at PP 3-8 (2010) (an amendment filing must include at least one tariff record even though a tariff revision might not otherwise be needed). The response must be filed using Type of Filing Code 180 – Deficiency Filing. If there are no changes to tariff records, CAISO can attach a single tariff record with no changes.