

147 FERC ¶ 61,213
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Philip D. Moeller, John R. Norris,
and Tony Clark.

California Independent System Operator Corporation Docket No. ER13-2452-001

ORDER ON COMPLIANCE

(Issued June 19, 2014)

1. On January 22, 2014, the California Independent System Operator Corporation (CAISO) filed tariff revisions and a proposal regarding the monthly reporting of bid cost recovery uplift payments to comply with the Commission's December 19, 2013 order concerning, among other things, revisions to CAISO's bid cost recovery settlement tariff provisions.¹ As discussed below, we accept CAISO's compliance filing, subject to supplemental modifications, as discussed below, effective May 1, 2014.²

I. Background

2. The CAISO tariff permits resources to recover their energy bid costs, along with start-up and minimum load costs, through bid cost recovery payments when market revenues do not cover these costs.³ On September 25, 2013, CAISO filed tariff revisions to lower the energy bid floor, modify the bid cost recovery settlement rules to pay bid cost recovery separately for the day-ahead and real-time markets, and implement measures to address potential adverse market behavior related to bid cost recovery.

¹ *Cal. Indep. Sys. Operator Corp.*, 145 FERC ¶ 61,254 (2013) (December 19 Order).

² The original effective date for the tariff revisions accepted in the December 19 Order was April 1, 2014. In an order issued on March 21, 2014, the Commission granted CAISO's motion to change the effective date for those revisions and the instant filing to May 1, 2014. *Cal. Indep. Sys. Operator Corp.*, 146 FERC ¶ 61,217 (2014).

³ For a more detailed description of and background on CAISO's bid cost recovery mechanism, see *Cal. Indep. Sys. Operator Corp.*, 135 FERC ¶ 61,110 (2011); and *Cal. Indep. Sys. Operator Corp.*, 136 FERC ¶ 61,118 (2011); see also CAISO Tariff, § 11.8, *et seq.*

CAISO explained that the purpose of the proposed revisions was to create incentives for all resources to submit economic bids in real-time, both incremental and decremental, and follow dispatch instructions so CAISO can more efficiently dispatch resources to reliably meet system needs.⁴ Among the mitigation measures proposed were “catch-all” provisions that would provide CAISO with the authority to reduce bid cost recovery payments in the event that a resource received inflated payments.⁵

3. With the exception of the “catch-all” provisions, the Commission accepted CAISO’s proposed tariff revisions.⁶ The Commission rejected the proposed “catch-all” provisions, finding that these provisions afforded CAISO “too much discretion to perform resettlements without transparent calculation methodologies and may erode market participants’ confidence in market solutions.”⁷ The Commission directed CAISO to submit a compliance filing removing the “catch-all” provisions from the relevant tariff sections within 30 days of the date of the December 19 Order.⁸

4. To address the concern that the revised bid cost recovery settlement rules could potentially result in an increase in the overall cost of bid cost recovery, the Commission directed CAISO to improve the transparency of bid cost recovery payments by revising its monthly reports to track the impact of the revisions and including this information in its Market Performance and Planning Forum stakeholder meetings. The Commission provided guidance as to the types of data that CAISO should include in the report and directed CAISO to submit a compliance filing to describe in detail how CAISO proposed to revise its monthly reports. The Commission emphasized the importance of including locational information and noted that CAISO could, for example, utilize local reliability areas for the locational component of the report. The Commission also specified that the proposal should address confidentiality issues, reporting timelines, and the specific data to be reported.⁹

⁴ December 19 Order, 145 FERC ¶ 61,254 at PP 3, 5, 6.

⁵ *Id.* PP 9, 10.

⁶ *Id.* PP 33-40.

⁷ *Id.* P 38.

⁸ *Id.*

⁹ *Id.* PP 41-42.

II. CAISO Compliance Filing

5. In response to the Commission's directive to remove the "catch-all" provisions from the relevant tariff sections, CAISO submitted revised tariff sheets removing the "catch-all" provisions from sections 11.8.2.5 and 11.8.4.4 of its tariff.¹⁰

6. In response to the Commission's directive to improve the transparency of bid cost recovery payments, CAISO explains that, in its current monthly reports, it includes system-wide charts that provide bid cost recovery costs on a daily basis for each month, total costs for each market process that resulted in the need for an uplift payment (residual unit commitment process, real-time dispatch, and integrated forward market), and bid cost recovery costs by the type of costs incurred (start-up, minimum load, or energy bid costs). CAISO notes that resource-specific bid cost recovery data is confidential information because it reflects the cost of paying each resource's energy bid price, start-up costs, and minimum load costs. To protect this information, CAISO proposes to provide each of its existing bid cost recovery charts in five locations that reflect the 16 utility distribution company areas in its control area.¹¹

7. CAISO states that four of the locations will separately represent each of the four major utility distribution companies (Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Northern California Power Agency) and that the fifth location will aggregate the remaining 12 utility distribution companies. CAISO explains that there are more than 10 resources that have multiple ownership among, and representation in, the four major utility distribution companies and, therefore, publishing data for each of these four areas will not compromise resource confidentiality. In contrast, CAISO states that the remaining areas include fewer than 10 resources and as few as one, or include resources that are all owned or operated by a single entity.¹² To protect the confidentiality of resource-specific information for these smaller areas, CAISO proposes to aggregate the data for the 12 remaining areas into one group.¹³

¹⁰ CAISO January 22, 2014 Compliance Filing at 3 (Compliance Filing).

¹¹ CASIO explains that the utility distribution company areas consist of the areas over which an entity owns and operates a distribution system for the delivery of energy to and from the grid and provides service to end-use customers. *Id.* at 4.

¹² *Id.*

¹³ *Id.*

8. CAISO states that it cannot readily utilize local reliability areas, which the Commission offered as an example in the December 19 Order, because doing so would require deconstructing payment data and increase the risk of disclosing generator-specific data. CAISO asserts that its proposal provides equally relevant data and avoids confidentiality concerns.¹⁴

III. Notice and Responsive Pleadings

9. Notice of CAISO's compliance filing was published in the *Federal Register*, 79 Fed. Reg. 5395 (2014), with protests or interventions due on or before February 12, 2014. None were filed.

IV. Discussion

10. We find that CAISO's revised tariff provisions comply with the Commission's directive to remove the "catch-all" provisions from the relevant tariff sections and will, therefore, accept them.

11. However, CAISO's proposal to revise its monthly bid cost recovery reports to include locational data is insufficient. In the December 19 Order, the Commission found that "locational information, in combination with the other data specified above, will provide the necessary transparency on the extent to which the revisions proposed here increase market efficiency due to changes in real-time bidding behavior."¹⁵ The Commission also found that the locational information would help CAISO and its stakeholders in "verifying that changes in bidding behavior and price formation offset any potential increase in overall bid cost recovery payments."¹⁶ We find that the utility distribution area approach proposed by CAISO will mask much of the relevant data and, therefore, does not adequately address the purpose of the revised reporting requirement.

12. Reporting bid cost recovery payments by utility distribution area will not provide the transparency necessary for CAISO stakeholders to evaluate whether increases in bid cost recovery payments are associated with the tariff revisions the Commission accepted in the December 19 Order, such as CAISO's proposal to net day-ahead and real-time bid cost recovery separately, or due to other factors. For example, since local needs for bid cost recovery payments may vary with system conditions, reporting the 12 smaller utility distribution areas in aggregate will prevent CAISO stakeholders from separating bid cost

¹⁴ *Id.* at 4-5.

¹⁵ December 19 Order, 145 FERC ¶ 61,254 at P 42.

¹⁶ *Id.*

recovery payment increases associated with system conditions from those associated with the recent netting modifications. Thus, we find that CAISO stakeholders need to be able to better monitor and understand bid cost recovery data that provides specific locational information beyond what would be provided for in CAISO's proposed five utility distribution area-based groups.

13. We note that CAISO currently administers a process where it establishes local capacity requirement areas as part of its local capacity requirements process.¹⁷ Local capacity requirement areas are load pockets with limited import capability that CAISO studies on an annual basis to determine minimum quantities of local capacity necessary, notwithstanding system resource adequacy procurement by load-serving entities, to ensure reliability in those constrained areas. Based on the Commission's evaluation of the distribution of physical resources among the local capacity requirement areas,¹⁸ we find that reporting bid cost recovery data at this level of granularity will provide more useful locational information than CAISO's proposal to use utility distribution areas, while also reducing the 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. Further, we find that reporting bid cost recovery payments by individual local capacity requirement areas will improve the ability of stakeholders to monitor and understand trends in bid cost recovery payments. Therefore, we direct CAISO to submit a revised proposal, within 30 days of the date of this order, that specifies that CAISO will include data at the level of individual local capacity requirement areas in its monthly bid cost recovery report.

The Commission orders:

(A) CAISO's compliance filing is hereby accepted in part, subject to additional modifications, as discussed in the body of this order.

¹⁷ See

<http://www.caiso.com/informed/Pages/StakeholderProcesses/LocalCapacityRequirementsProcess.aspx>. CAISO system and interface resources that are not contained in a specific local capacity requirement area should be reported in aggregate.

¹⁸ CAISO, *Physical Resource List Used During the 2015 and 2019 Local Capacity Technical Studies*, available at http://www.caiso.com/Documents/PhysicalResourceList-2015-2019_LCT_Studies-2014_NQC.xls.

(B) CAISO is hereby directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.