

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Offer Caps in Markets Operated by)
Regional Transmission) Docket No. RM16-5-000
Organizations and Independent)
System Operators)**

**MOTION FOR EXTENSION OF TIME OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (CAISO) respectfully requests that the Commission extend the deadline for the CAISO to submit a filing to comply with Order No. 831,¹ from the current Commission-established deadline of July 1, 2018 to April 30, 2019.² The CAISO's compliance with Order No. 831 depends on CAISO's implementation of the verification rules and default energy bid rules currently being developed in the CAISO's Commitment Cost and Default Energy Bid Enhancements (CCDEBE) stakeholder initiative. The CAISO has completed the policy development phase of CCDEBE and is working on implementing the software and procedural changes necessary to support the verification and default energy bid requirements. However, the CAISO has recently determined that it cannot implement these changes by the fall of 2018 as it had intended, and now

¹ *Offer Caps in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 831, FERC Stats. & Regs. ¶ 31,387 (2016) (Order No. 831), *order on reh'g and clarification*, Order No. 831-A, 161 FERC ¶ 61,156 (2017) (Order No. 831-A).

² The CAISO submits this motion pursuant to Rules 212 and 2008(a) of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.2008(a) (2018). Pursuant to Rule 213(d)(1)(i), 18 C.F.R. § 385.213(d)(1)(i), any answers to the motion will be due within five days after it was filed unless otherwise ordered by the Commission.

anticipates an implementation date in the fall of 2019. The CAISO expects that this ten-month extension will provide the CAISO and stakeholders sufficient time to review and consider proposed tariff revisions related to the CCDEBE, which are an integral part of the CAISO's proposed process for implementing the market rules changes arising out of Order No. 831. In addition to the issues under consideration in the original CCDEBE initiative, the CAISO has recently determined that it is necessary to consider also whether the CAISO needs to modify its rules for developing default energy bids for hydro resources. The ten-month extension will allow the CAISO sufficient time to conduct a stakeholder process to consider these issues, obtain approval of any necessary rule changes from its Board of Governors, and incorporate any changes into the same filing pursuant to Section 205 of the Federal Power Act (FPA).

Even if the CAISO were to submit its Order No. 831 compliance filing at this time, the Commission could not rule on the filing until the CAISO completes and submits the CCDEBE tariff provisions because the verification rules and the new default energy bid rules, which would be filed separately under Section 205 of the FPA, support the CAISO's ability to comply with Order No. 831.

Furthermore, submitting the Order No. 831 compliance filing before the CAISO and stakeholders have had an opportunity to consider the implementation details further could render the provisions filed with the Commission stale as the implementation details may require further tariff changes. The CAISO anticipates it will implement the CCDEBE and Order No. 831 changes in the fall of 2019, if approved by the Commission. The requested extension will not affect the

expected activation date because the CAISO would file the compliance filing and the Section 205 filing at least seven months before the implementation date. By granting a ten-month extension of time the Commission will ensure that the CAISO can submit a complete set of proposed rule changes to consider in the CCDEBE tariff amendment and the CAISO's Order No. 831 compliance filing.

I. Background

On November 17, 2016, the Commission issued Order No. 831, which directed each Independent System Operator (ISO) and Regional Transmission Organization (RTO) to submit a compliance filing to modify its tariff to the extent needed to satisfy the directives in the Order regarding caps on incremental energy offers (*i.e.*, the portion of a resource's energy supply offer that varies with output or level of demand reduction). Order No. 831 directed each ISO or RTO to cap a resource's incremental energy offer at the higher of \$1,000 per megawatt-hour (MWh) or the resource's verified cost-based incremental energy offer.³ The Commission also directed each ISO or RTO to cap cost-based incremental energy offers at \$2,000/MWh for purposes of calculating locational marginal prices (LMPs).⁴

Further, the Commission directed each ISO or RTO or its market monitoring unit to verify the actual or expected costs underlying a resource's cost-based incremental energy offer above \$1,000/MWh before that offer can be

³ Order No. 831 at PP 42, 78.

⁴ *Id.*

used for purposes of calculating LMPs.⁵ The Commission required each ISO or RTO to explain in its compliance filing what factors it or its market monitoring unit will consider in the verification process for cost-based incremental energy offers above \$1,000/MWh and whether such factors are currently considered in existing market power mitigation provisions or whether new practices or tariff provisions are necessary given the Order No. 831 verification requirement.⁶ The Commission stated that, in creating such a verification process, “we expect that the RTO/ISO would build on its existing mitigation processes for calculating or updating cost-based incremental energy offers.”⁷ The Commission directed each ISO or RTO to submit a compliance filing to comply with Order No. 831 within 75 days after the effective date of the Order, *i.e.*, by May 8, 2017.⁸

On May 1, 2017, the CAISO filed a motion for extension of time in this proceeding to submit its Order No. 831 compliance filing up to a year later, by May 1, 2018 (May 2017 Motion). The CAISO explained that, unlike other ISOs and RTOs, the CAISO does not currently have a process to verify supplier costs prior to market clearing and thus needed to develop such a process with

⁵ *Id.* at PP 42, 140. The Commission directed that if a resource submits an incremental energy offer above \$1,000/MWh and the costs underlying that offer cannot be verified before the market clearing process begins, that offer may not be used to calculate LMPs and the resource would be eligible for a make-whole payment if the resource is dispatched and its costs are verified after-the-fact. A resource would also be eligible for a make-whole payment if it is dispatched and its verified cost-based incremental energy offer exceeds \$2,000/MWh. *Id.* at PP 42, 140. The Commission directed that all resources, regardless of type, are eligible to submit cost-based incremental energy offers in excess of \$1,000/MWh. *Id.* at PP 42, 156.

⁶ *Id.* at P 141.

⁷ *Id.*

⁸ *Id.* at P 220. Order No. 831 was published in the Federal Register on December 5, 2016 and became effective February 21, 2017. Therefore, the ISO and RTO compliance filings were due by May 8, 2017.

stakeholder input. The CAISO noted, however, that it had initiated the CCDEBE stakeholder process in late 2016 to address stakeholder concerns that the CAISO's current market design introduces risks that their resources could be inaccurately valued in the CAISO market processes. The CAISO explained that as part of this process, it was examining potential methodologies for market participants to submit cost-based bids or for the CAISO to verify costs based on information provided by market participants. In light of the need to carefully design and implement the verification procedures required in Order No. 831 in a manner consistent with the CAISO's larger market design efforts, the CAISO stated that it intended to develop those procedures in conjunction with its CCDEBE initiative.⁹ The CAISO explained that attempting to carry out any or all of the Order No. 831 directives separately from the CCDEBE stakeholder process would risk inconsistent design approaches, which would undermine the efficient functioning of the CAISO markets and likely require further modifications to address those consequences.

At the time the CAISO filed the May 2017 Motion, it had posted an issue paper for stakeholder review, solicited written comments on the issue paper, and held multiple working group meetings in the CCDEBE stakeholder process. The CAISO requested a one-year extension of time to submit its Order No. 831 compliance filing so that it had sufficient time to develop and implement tariff provisions necessary to verify cost-based energy bids over \$1,000/MWh

⁹ Materials related to the CCDEBE initiative are available on the CAISO website at http://www.caiso.com/informed/Pages/StakeholderProcesses/CommitmentCosts_DefaultEnergyBidEnhancements.aspx.

pursuant to the CCDEBE stakeholder process. On May 11, 2017, the Commission issued a notice of extension of time granting the May 2017 Motion.

On April 25, 2018, the CAISO filed a second motion for extension of time in this proceeding to request that the Commission grant a two-month extension, from May 1, 2018 to July 1, 2018, for the CAISO to submit its Order No. 831 compliance filing (April 2018 Motion). The CAISO explained that good cause existed to grant the requested extension, because the CAISO and stakeholders required additional time to develop the proposed implementing tariff language prior to filing. On May 22, 2018, the Commission issued of notice of extension of time granting the April 2018 Motion.¹⁰

On June 19, 2018, the CAISO issued a market notice announcing that the CAISO would hold a conference call with stakeholders on June 29, 2018 to discuss the filing to comply with Order No. 831, and stating that the CAISO would post an initial draft of the compliance tariff language. The CAISO posted the draft compliance tariff language that same day, June 19. On the conference call, the CAISO explained that it would need to seek the further extension of time discussed in this filing. No party objected to the delay during the call.

II. Motion for Extension of Time

The CAISO respectfully requests a ten-month extension of time – until April 30, 2019 – to submit its revisions to comply with Order No. 831. The

¹⁰ Because July 1, 2018 is a Sunday, the Order No. 831 compliance filing will actually be due by the close of the Commission's business on the next day that the Commission is open, *i.e.*, 5:00 p.m. EST on Monday, July 2, 2018. See 18 C.F.R. § 385.2007(a)(2) (explaining that "[t]he last day of any time period is included in the time period, unless it is a . . . Sunday . . . in which case the period does not end until the close of the Commission's business of the next day which is not a . . . Sunday . . .").

CAISO will submit its Order No. 831 compliance filing separately from its CCDEBE proposed tariff revisions. However, the CAISO must submit the two filings contemporaneously because the cost verification and default energy bid procedures it proposes to adopt to meet the Order No. 831 compliance requirements are dependent on the procedures it is developing and will adopt as part of the CCDEBE initiative. The CAISO hopes to submit both filings prior to April 30, 2019 but is requesting an extension until April 30 out of an abundance of caution.

The CAISO had anticipated implementing CCDEBE by the fall of 2018 and therefore believed the most recent extension to July 1, 2018 sufficed. However, in its recent evaluation of new releases, the CAISO determined that it is not feasible to implement the CCDEBE and therefore Order No. 831 requirements this fall. The CAISO determined that it requires additional time to develop the software and procedures needed to develop the automatic thresholds for verification as well as the manual procedures it will have to use in the event those fail. In particular, after the CAISO completed the CCDEBE policy development phase, market participants in the western Energy Imbalance Market raised concerns with the sufficiency of the CAISO's existing rules for developing default energy bids. The CAISO held a workshop on April 30, 2018, to consider stakeholder input regarding the difficulties they encounter in capturing opportunity costs for hydro resources under the current default energy bid options.¹¹ These resources are differently situated because they have both

¹¹ Materials related to the April 30, 2018 workshop are available on the CAISO website at

limited energy output and the opportunity to sell output at other the ISO market's locational marginal price. The CAISO concluded that it is necessary to hold an additional stakeholder workshop, which is now scheduled on July 19, 2018, to discuss alternative means of accounting for these resources situation. The CAISO will review the stakeholder comments received on the presentations and discussion from the previous workshop and determine next steps for this effort. The CAISO anticipates that if this effort results in any rule changes, they will impact directly the tariff provisions the CAISO would file pursuant to the CCDEBE initiative. The rule changes that come out that effort could potentially create an additional default energy bid option in addition to the existing options, or could require modifications to the reference level adjustment request criteria the CAISO developed as part of the CCDEBE rules, and which the CAISO will use for purposes of verifying incremental energy bids under Order No. 831.

Good cause exists to grant the requested extension, because the CAISO and stakeholders require the additional ten months to consider and review carefully the proposed implementing tariff language prior to filing, and for the CAISO to prepare and submit both filings. In addition, the CAISO may have to consider the impact any new default energy bid rules would have on the CCDEBE and Order No. 83 tariff provisions.¹² The additional ten months will provide the CAISO and stakeholders sufficient time to consider any new default

<http://www.caiso.com/informed/Pages/MeetingsEvents/MiscellaneousStakeholderMeetings/Default.aspx>.

¹² The current default energy bid options are set forth in Section 39.7.1, *et seq.* of the CAISO tariff.

energy bid rules and obtain approval from its Board of Governors to make necessary Commission filings.

Since the CAISO filed the May 2017 Motion, the proposals in the CCDEBE stakeholder process, which include the changes necessary to comply with Order No. 831, have progressed considerably. The CAISO has completed the policy development stage of the CCDEBE stakeholder process, apart from the new portion of the policy to address limitations of the current default energy bid options. The CAISO held a technical working group meeting, issued four successive proposals (a straw proposal, a draft final proposal, a first revised draft final proposal, and most recently a second revised draft final proposal) since that time, held multiple stakeholder meetings, and solicited input from stakeholders at each stage of this process.

On March 22, 2018, the CAISO Board of Governors authorized the CAISO to file a tariff amendment to implement the policy reflected in the second revised draft final proposal. Again, that policy did not include the expansion of the CCDEBE initiative to include the new default energy bid issues discussed above. Due to the complexity of the various CCDEBE tariff revisions and the number of affected tariff sections, the CAISO anticipates that at least two additional rounds of meetings with stakeholders will be needed before the CAISO can finalize the tariff revisions and prepare the amendment for filing with the Commission.

For these reasons, it is appropriate for the Commission to grant the CAISO an additional ten-month extension of time to comply with Order No. 831. No party will be prejudiced or harmed by this extension. To the contrary, the

additional time is expressly to ensure that the CAISO can solicit and consider stakeholder input in the development of the tariff modifications necessary to implement the CCDEBE initiative, including the cost verification process required to comply with Order No. 831.

As previously noted, the CAISO does not currently have measures in place necessary to comply with Order No. 831 and is developing these procedures in the context of the CCDEBE initiative. The CAISO implements one major software release in the fall of each year to effect changes that impact its systems and those of its stakeholders significantly. The CAISO has scheduled the CCDEBE and the Order No. 831 changes for the fall 2019 release.

Therefore, allowing the additional time to submit the compliance filing will not delay the implementation date of the new market rules.

III. Conclusion

For the foregoing reasons, the ISO respectfully requests that the Commission granting a ten-month extension of time, until April 30, 2019, to submit the tariff revisions to comply with Order No. 831.

Respectfully submitted,

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Dated: June 29, 2018

CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceedings, 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 29th day of June, 2018.

/s/ Grace Clark
Grace Clark