



California Independent
System Operator Corporation

June 30, 2016

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER16-1649-002**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO)¹ submits this filing in compliance with the Commission's "Order Accepting Tariff Revisions, Subject to Condition, and Establishing a Technical Conference," issued in the captioned proceeding on June 1, 2016.²

I. Background

On May 9, 2016, the CAISO filed proposed revisions to its tariff to provide the CAISO with a set of tools it can use in its markets on an interim basis to mitigate risks to reliability and market distortions posed by the limited availability of the Aliso Canyon natural gas storage facility. Among other changes, the CAISO's May 9 filing included tariff revisions to:

- (1) implement a gas adder applicable to commitment costs and default energy bids for resources on the Southern California Gas Company and San Diego Gas & Electric Company systems for the real-time market;

¹ References in this compliance filing to numbered sections are references to sections of the CAISO tariff as revised by this filing, unless otherwise indicated.

² *Cal. Indep. Sys. Operator Corp.*, 155 FERC ¶ 61,224 (2016) (June 1 Order).

- (2) allow the CAISO to implement a natural gas constraint based on limitations in applicable gas regions anticipated by the CAISO during specific hours;
- (3) permit the CAISO to suspend virtual bidding that detrimentally affects CAISO market efficiency; and
- (4) establish a procedure for resources to seek after-the-fact cost recovery from the Commission for gas costs not recovered through the CAISO's tariff mechanisms.

In the June 1 Order, the Commission accepted the tariff revisions effective as of June 2 and July 6, 2016, with the revisions to automatically expire on November 30, 2016 unless permitted by the Commission to remain in effect in some form after that date, as requested by the CAISO.³ With regard to the tariff revisions listed above, the Commission also directed the CAISO to submit a compliance filing within 30 days (*i.e.*, by July 1, 2016) containing further tariff changes.⁴

II. Description of Tariff Changes to Comply with June 1 Order

A. Gas Adder for Commitment Costs and Default Energy Bids

In the June 1 Order, the Commission accepted the CAISO's proposed tariff revisions to implement a gas adder for commitment costs and default energy bids. However, the Commission directed the CAISO to clarify, on

³ *Id.* at ordering paragraphs (A)-(B). As the Commission noted, the CAISO will submit a filing or filings pursuant to Section 205 of the Federal Power Act (FPA) ahead of the November 30 automatic expiration date to either confirm that it has determined that the provisions should expire, or to explain why the provisions should remain in effect in some form after November 30. *Id.* at P 13. Because the May 9 filing included several changes that CAISO intended to have in its tariff for the longer term, the CAISO plans to re-file these tariff revisions within the next two weeks, requesting a December 1, 2016 effective date. Specifically, the CAISO will propose to maintain the effectiveness beyond November 30 of changes that: (1) allow resources to re-bid commitment costs in the CAISO real-time market; (2) ensure that the CAISO short-term unit commitment process for the real-time market does not commit resources that were not bid into the real-time market if they were not scheduled or committed in the day-ahead; and (3) allow scheduling coordinators to seek after-the-fact recovery of unrecovered commitment costs pursuant to a filing submitted to the Commission under Section 205 of the FPA.

⁴ *Id.* at ordering paragraph (C). The Commission also directed its staff to establish a technical conference several months after the CAISO implements the tariff revisions to discuss lessons learned regarding the efficacy of and need to retain the tariff revisions, as well as other potential long-term solutions. *Id.* at P 104 and ordering paragraph (D).

compliance, the unit of gas to which the \$2.50 cap on the adder applies.⁵ Consistent with the suggestion made by certain commenters on the CAISO's filing,⁶ the CAISO proposes to revise tariff section 39.7.1.1.1.3(d) to clarify that the cap on the gas cost adder is \$2.50/therm.

B. Implementation of Gas Constraint

In the June 1 Order, the Commission accepted the tariff revisions to implement a constraint in the CAISO's markets in order to reflect gas limitation under certain conditions,⁷ subject to the CAISO's filing two further tariff changes on compliance.

The first of these compliance directives was that the CAISO specify in the tariff the type of information it will make available regarding enforcement of the gas constraint and how and when it will make this information available.⁸ To comply with this directive, the CAISO proposes to revise tariff section 27.11 to state that the CAISO will provide, through the procedures set forth in tariff section 6.5.10.1.1, information on whether the CAISO plans to enforce a natural gas constraint in the day-ahead market, and after the day-ahead market is executed, whether it enforced a natural gas constraint in the day-ahead market. Consistent with this proposed tariff revision, the CAISO confirms that all market participants will be able to see whether the CAISO plans to enforce and did enforce a natural gas constraint using their protected communications through the CAISO's secured customer portal, the CAISO Market Results Interface (CMRI).

Section 6.5.10.1.1 specifies that, after the results of the day-ahead market are posted, the CAISO will provide the daily post-day-ahead-market transmission constraints enforcement list to parties that have signed a non-disclosure agreement. This list provides the transmission constraints (including contingencies and nomograms) that are enforced and are not enforced in that day's day-ahead market. The list will also include the natural gas constraint. In addition, section 6.5.10.1.1 states that, subsequently and prior to the next day-ahead market, the CAISO will provide the pre-day-ahead-market transmission constraints enforcement list to parties that have signed a non-disclosure agreement. This list provides daily information regarding the transmission

⁵ *Id.* at PP 29, 35. The Commission accepted these tariff revisions effective as of July 6, 2016. *Id.* at P 29.

⁶ This suggestion was made in comments filed by the Western Power Trading Forum and Electric Power Supply Association and by NRG.

⁷ *Id.* at P 48. The Commission accepted these tariff revisions effective as of June 2, 2016. *Id.*

⁸ *Id.* at P 49.

constraints (including contingencies and nomograms) that the CAISO plans to enforce or not enforce for the next day's day-ahead market. The list will include the natural gas constraint as well.

The CAISO also proposes to include in tariff section 27.11 language stating that, to the extent feasible in advance of the deadline for submitting bids in the day-ahead or real-time market, as applicable, the CAISO will issue a notice through its market notification system indicating its intent to enforce a natural gas constraint along with the affected areas and the magnitude and expected duration of the constraint. These notices will be provided via the CAISO's Market Message System and will be posted via its automated dispatch system and OASIS System Operating Messages.

The second compliance change the Commission required was that the CAISO include in its tariff a mechanism, such as use of the CMRI, for the CAISO to provide scheduling coordinators responsible for bidding generating resources into the CAISO markets with their respective connectivity node (CNode) pricing data.⁹ To satisfy this directive, the CAISO proposes to revise tariff section 6.2.1.3, which sets forth provisions regarding the CMRI, to specify that the data provided through the CMRI will include resource-specific pricing data resulting from the enforcement of a natural gas constraint. This revision does not use the specific term "CNode" because that term is not defined in the CAISO tariff. The language the CAISO proposes is consistent with the directive in the June 1 Order because it makes clear that the CAISO will provide to scheduling coordinators the resource-specific pricing data necessary to allow scheduling coordinators to understand their settlements when a natural gas constraint is enforced.

C. Suspension of Virtual Bidding for Market Efficiency

In the June 1 Order, the Commission accepted the tariff revisions regarding CAISO authority to suspend virtual bidding that detrimentally affects CAISO market efficiency, subject to the CAISO filing a further tariff change on compliance to clarify that the CAISO may only suspend virtual bidding for market efficiency purposes in relation to a reservation of internal transfer capability or enforcement of a natural gas constraint pursuant to the tariff.¹⁰ The CAISO proposes to revise tariff section 7.9.2(d) to include this clarification.

⁹ *Id.* at P 51.

¹⁰ *Id.* at P 80. The Commission accepted these tariff revisions effective as of June 2, 2016.
Id.

D. Allowance for After-the-Fact Fuel Cost Recovery Filings

In the June 1 Order, the Commission accepted the tariff revisions to implement a procedure for resources to seek after-the-fact cost recovery from the Commission for gas costs not recovered through the CAISO's tariff mechanisms,¹¹ subject to the CAISO's filing two further tariff changes on compliance.

The first of these compliance changes was that the CAISO specify in the tariff that participants in the Energy Imbalance Market (EIM) are eligible to seek such after-the-fact cost recovery from the Commission.¹² For the reasons explained in the request for rehearing of the June 1 Order that the CAISO filed on June 29, 2016, the CAISO believes that the existing tariff already permits EIM participants to seek such after-the-fact cost recovery. Nevertheless, to comply with the Commission's directive while the request for rehearing is pending before the Commission, the CAISO proposes to revise tariff section 30.11 to explicitly state that scheduling coordinators, including EIM participating resource scheduling coordinators, may seek after-the-fact cost recovery from the Commission. If the Commission grants the CAISO's request for rehearing, the CAISO asks the Commission to direct the CAISO to delete the proposed change to section 30.11 consistent with that Commission action.

The second compliance change involves the after-the-fact cost recovery process timeline. The CAISO's filing stated that within 60 days after a scheduling coordinator notifies the CAISO of unrecovered costs, the CAISO will provide the scheduling coordinator with a written explanation of any effect that events or circumstances in the CAISO markets and fuel market conditions may have had on the resource's inability to recover the costs on the applicable trading day. The Commission directed the CAISO to modify this language to state that the CAISO will provide this explanation within 60 days after the trading day on which the unrecovered costs were incurred.¹³ The CAISO proposes to revise tariff section 30.11 to make this change.

¹¹ *Id.* at P 91. The Commission accepted these tariff revisions effective as of June 2, 2016.
Id.

¹² *Id.* at P 94.

¹³ *Id.* at P 95.

III. Materials Provided in this Compliance Filing

In addition to this transmittal letter, this compliance filing includes attachments A and B. Attachment A contains clean CAISO tariff sheets reflecting the tariff revisions described above. Attachment B shows these revisions in black-line format.

If there are any questions regarding this filing, please contact the undersigned.

Respectfully submitted,

Roger E. Collanton
General Counsel
Anna McKenna
Assistant General Counsel
Sidney L. Mannheim
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7222
E-mail: amckenna@caiso.com

Michael Kunselman
Bradley R. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
Tel: (202) 239-3300
Fax: (202) 654-4875
E-mail:
michael.kunselman@alston.com
bradley.miliauskas@alston.com

Counsel for the California Independent System Operator Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the above-referenced proceeding, 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 30th day of June, 2016.

/s/ Grace Clark
Grace Clark

Attachment A – Clean Tariff Records

Aliso Canyon Compliance Filing

California Independent System Operator Corporation

6.2.1.3 Individually Assigned Login Accounts

The CAISO will provide an interface for data exchange between the CAISO and Scheduling Coordinators who shall each have individually assigned login accounts via digital certificates. Through the use of the security provisions of CAISO's secure communication system, data will be provided by the CAISO to Scheduling Coordinators on a confidential basis (such as Day-Ahead Schedules and resource-specific pricing data resulting from the enforcement of a natural gas constraint as specified in Section 27.11 for individual Scheduling Coordinators). Other CAISO data that is not confidential (such as CAISO Demand Forecasts) will be published on the public access reporting system of the CAISO Website and be available to anyone.

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7.9.2 Reasons for Suspension or Limitation

The CAISO may suspend or limit the ability of one or more Scheduling Coordinators to submit Virtual Bids if the CAISO determines that virtual bidding activities of one or more Scheduling Coordinators on behalf of one or more Convergence Bidding Entities detrimentally affect System Reliability or grid operations. Virtual bidding activities can detrimentally affect System Reliability or grid operations if such activities contribute to threatened or imminent reliability conditions, including but not limited to the following circumstances:

- (a) Submitted Virtual Bids create a substantial risk that the CAISO will be unable to obtain sufficient Energy and Ancillary Services to meet Real-Time Demand and Ancillary Service requirements in the CAISO Balancing Authority Area.
- (b) Submitted Virtual Bids render the CAISO Day-Ahead Market software unable to process Bids submitted into the Day-Ahead Market.
- (c) Submitted Virtual Bids render the CAISO unable to achieve an alternating current (AC) solution in the Day-Ahead Market for an extended period of time.
- (d) Submitted Virtual Bids detrimentally affect CAISO market efficiency related to a reservation of internal transfer capability pursuant to Section 27.5.6(f) or

enforcement of a natural gas constraint pursuant to Section 27.11.

* * * *

27.11 Natural Gas Constraint

The CAISO may enforce constraints that limit the maximum or minimum amount of natural gas that can be burned by natural gas-fired resources, based on limitations in applicable gas regions anticipated by the CAISO during specific hours. In the event that such a constraint is binding, the Shadow Price of the constraint will only be reflected in the Marginal Cost of Congestion component of the Locational Marginal Prices of the affected natural gas-fired resources. The Shadow Price of the constraint will not be reflected in the Marginal Cost of Congestion component of the Locational Marginal Prices for purposes of settling cleared Demand, Virtual Bids, or Congestion Revenue Rights. The same Marginal Cost of Congestion used for settling Demand, Virtual Bids, or Congestion Revenue Rights is used for the calculation of the Real-Time Congestion Offset pursuant Section 11.5.4.1.1. The CAISO will allocate any non-zero amounts that are attributable to the price differential between the Marginal Cost of Congestion used for settling a Generating Unit's scheduled or Dispatched amounts at their location and the Marginal Cost of Congestion used for settling Demand, Virtual Bids, or Congestion Revenue Rights pursuant to Section 11.5.4, except that for Day-Ahead settlements the CAISO will allocate the difference through the CRR Balancing Account pursuant to Section 11.2.4.5. The CAISO will provide, through the procedures set forth in Section 6.5.10.1.1, information on whether the CAISO plans to enforce a natural gas constraint in the Day-Ahead Market, and after the Day-Ahead Market is executed, whether it enforced a natural gas constraint in the Day-Ahead Market. In addition, to the extent feasible in advance of the deadline for submitting Bids for the Day-Ahead or Real-Time Market, as applicable, the CAISO will issue a notice through its market notification system indicating its intent to enforce a natural gas constraint along with the affected areas and the magnitude and expected duration of the natural gas constraint.

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30.11 Filings with FERC to Recover Actual Marginal Fuel Procurement Costs

If a Scheduling Coordinator (including an EIM Participating Resource Scheduling Coordinator) incurs but cannot recover through the Bid Cost Recovery process any actual marginal fuel procurement costs that exceed (i) the limit on Bids for Start-Up Costs set forth in Section 30.7.9, (ii) the limit on Bids for Minimum Load Costs set forth in Section 30.7.10, (iii) the limit on Bids for Transition Costs set forth in Section 30.4.1.1.5, (iv) the incremental fuel cost calculated under the Variable Cost Option for Default Energy Bids as set forth in Section 39.7.1.1.1, or (v) the incremental fuel cost calculated for Generated Bids as set forth in Sections 30.7.3.4, 39.7.1.1.1, and 40.6.8, the Scheduling Coordinator for the resource may seek to recover those costs through a FERC filing made pursuant to Section 205 of the Federal Power Act. The Scheduling Coordinator must notify the CAISO within thirty (30) Business Days after the Operating Day on which the resource incurred the unrecovered costs, and must submit the filing to FERC within ninety (90) Business Days after that Trading Day. Within sixty (60) Business Days after the Trading Day for which the Scheduling Coordinator provides notice to the CAISO per this Section, the CAISO will provide the Scheduling Coordinator with a written explanation of any effect that events or circumstances in the CAISO Markets and fuel market conditions may have had on the resource's inability to recover the costs on the Trading Day.

Each filing the Scheduling Coordinator submits to FERC must include:

- (1) Data supporting the Scheduling Coordinator's claim to the unrecovered costs it seeks, including Invoices for the unrecovered costs;
- (2) A description of the resource's participation in any gas pooling arrangements;
- (3) An explanation of why recovery of the costs is justified; and
- (4) A copy of the written explanation from the CAISO to the Scheduling Coordinator described above in this Section.

To the extent that FERC authorizes the Scheduling Coordinator to recover any costs pursuant to the Scheduling Coordinator's filing, the CAISO will pay the Scheduling Coordinator any amounts the Commission deems recoverable and will allocate such amounts pursuant to Section 11.14.

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39.7.1.1.1.3 Calculation of Natural Gas Price

- (a) The CAISO will use different gas price indices for the Day-Ahead Market and the Real-Time Market. If a gas price index is unavailable for any reason, the CAISO will use the most recently available gas price index as set forth in Section 39.7.1.1.1.3(c).
- (b) For the Day-Ahead Market, the CAISO will use a gas price index reported by the Intercontinental Exchange between 8:00 and 9:00 Pacific Time, which is a volume-weighted average price calculated by the Intercontinental Exchange based on trades transacted on the Intercontinental Exchange during its next-day trading window.
- (c) For the Real-Time Market, the CAISO will calculate a gas price index using at least two prices from two or more of the following publications: Natural Gas Intelligence, SNL Energy/BTU's Daily Gas Wire, Platt's Gas Daily, and the Intercontinental Exchange. The CAISO will update gas price indices for the Real-Time Market between the hours of 19:00 and 22:00 Pacific Time using natural gas prices published one (1) day prior to the applicable Trading Day, unless gas prices are not published on that day, in which case the CAISO will use the most recently published prices that are available.
- (d) For the Real-Time Market, the CAISO will increase the gas price calculated pursuant to Section 39.7.1.1.1.3(c) for resources receiving gas service from Southern California Gas Company and San Diego Gas & Electric Company by an amount that: (1) improves the dispatch of these resources so that they are more likely to be dispatched to address local needs rather than system needs; (2) better accounts for systematic differences between day-ahead and same-day natural gas prices; and (3) improves the ability to manage the generators' gas usage within applicable gas balancing rules. For applicable resources, the CAISO will initially increase the gas commodity price used in the calculation of Start-Up Costs, Minimum Load Costs, and Transition Costs pursuant to Section 30.4.1.1, and Generated Bids pursuant to Section 40.6.8, by seventy-

five (75) percent, and may decrease this amount or increase it further by an amount not to exceed \$2.50/therm plus two (2) times the next-day gas index price calculated pursuant to Section 39.7.1.1.1.3(b). For applicable resources, the CAISO will initially increase the gas commodity price used in the calculation of Default Energy Bids pursuant to Section 39.7.1.1 by twenty-five (25) percent, and may decrease this amount or increase it further by an amount not to exceed one hundred (100) percent. Upon determining that a subsequent increase in the gas price is necessary after the initial increase, the CAISO will issue a Market Notice specifying the amount of the increase.

Attachment B – Marked Tariff Records
Aliso Canyon Compliance Filing
California Independent System Operator Corporation

6.2.1.3 Individually Assigned Login Accounts

The CAISO will provide an interface for data exchange between the CAISO and Scheduling Coordinators who shall each have individually assigned login accounts via digital certificates. Through the use of the security provisions of CAISO's secure communication system, data will be provided by the CAISO to Scheduling Coordinators on a confidential basis (such as Day-Ahead Schedules and resource-specific pricing data resulting from the enforcement of a natural gas constraint as specified in Section 27.11 for individual Scheduling Coordinators). Other CAISO data that is not confidential (such as CAISO Demand Forecasts) will be published on the public access reporting system of the CAISO Website and be available to anyone.

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The CAISO may suspend or limit the ability of one or more Scheduling Coordinators to submit Virtual Bids if the CAISO determines that virtual bidding activities of one or more Scheduling Coordinators on behalf of one or more Convergence Bidding Entities detrimentally affect System Reliability or grid operations. Virtual bidding activities can detrimentally affect System Reliability or grid operations if such activities contribute to threatened or imminent reliability conditions, including but not limited to the following circumstances:

- (a) Submitted Virtual Bids create a substantial risk that the CAISO will be unable to obtain sufficient Energy and Ancillary Services to meet Real-Time Demand and Ancillary Service requirements in the CAISO Balancing Authority Area.
- (b) Submitted Virtual Bids render the CAISO Day-Ahead Market software unable to process Bids submitted into the Day-Ahead Market.
- (c) Submitted Virtual Bids render the CAISO unable to achieve an alternating current (AC) solution in the Day-Ahead Market for an extended period of time.
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enforcement of a natural gas constraint pursuant to Section 27.11.

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The CAISO may enforce constraints that limit the maximum or minimum amount of natural gas that can be burned by natural gas-fired resources, based on limitations in applicable gas regions anticipated by the CAISO during specific hours. In the event that such a constraint is binding, the Shadow Price of the constraint will only be reflected in the Marginal Cost of Congestion component of the Locational Marginal Prices of the affected natural gas-fired resources. The Shadow Price of the constraint will not be reflected in the Marginal Cost of Congestion component of the Locational Marginal Prices for purposes of settling cleared Demand, Virtual Bids, or Congestion Revenue Rights. The same Marginal Cost of Congestion used for settling Demand, Virtual Bids, or Congestion Revenue Rights is used for the calculation of the Real-Time Congestion Offset pursuant Section 11.5.4.1.1. The CAISO will allocate any non-zero amounts that are attributable to the price differential between the Marginal Cost of Congestion used for settling a Generating Unit's scheduled or Dispatched amounts at their location and the Marginal Cost of Congestion used for settling Demand, Virtual Bids, or Congestion Revenue Rights pursuant to Section 11.5.4, except that for Day-Ahead settlements the CAISO will allocate the difference through the CRR Balancing Account pursuant to Section 11.2.4.5. The CAISO will provide, through the procedures set forth in Section 6.5.10.1.1, information on whether the CAISO plans to enforce a natural gas constraint in the Day-Ahead Market, and after the Day-Ahead Market is executed, whether it enforced a natural gas constraint in the Day-Ahead Market. In addition, to the extent feasible in advance of the deadline for submitting Bids for the Day-Ahead or Real-Time Market, as applicable, the CAISO will issue a notice through its market notification system indicating its intent to enforce a natural gas constraint along with the affected areas and the magnitude and expected duration of the natural gas constraint.

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If a Schedule Coordinator (including an EIM Participating Resource Scheduling Coordinator) incurs but cannot recover through the Bid Cost Recovery process any actual marginal fuel procurement costs that exceed (i) the limit on Bids for Start-Up Costs set forth in Section 30.7.9, (ii) the limit on Bids for Minimum Load Costs set forth in Section 30.7.10, (iii) the limit on Bids for Transition Costs set forth in Section 30.4.1.1.5, (iv) the incremental fuel cost calculated under the Variable Cost Option for Default Energy Bids as set forth in Section 39.7.1.1.1, or (v) the incremental fuel cost calculated for Generated Bids as set forth in Sections 30.7.3.4, 39.7.1.1.1, and 40.6.8, the Scheduling Coordinator for the resource may seek to recover those costs through a FERC filing made pursuant to Section 205 of the Federal Power Act. The Scheduling Coordinator must notify the CAISO within thirty (30) Business Days after the Operating Day on which the resource incurred the unrecovered costs, and must submit the filing to FERC within ninety (90) Business Days after that Trading Day. Within sixty (60) Business Days after the Trading Day for which the Scheduling Coordinator provides notice to the CAISO per this Section, the CAISO will provide the Scheduling Coordinator with a written explanation of any effect that events or circumstances in the CAISO Markets and fuel market conditions may have had on the resource's inability to recover the costs on the Trading Day.

Each filing the Scheduling Coordinator submits to FERC must include:

- (1) Data supporting the Scheduling Coordinator's claim to the unrecovered costs it seeks, including Invoices for the unrecovered costs;
- (2) A description of the resource's participation in any gas pooling arrangements;
- (3) An explanation of why recovery of the costs is justified; and
- (4) A copy of the written explanation from the CAISO to the Scheduling Coordinator described above in this Section.

To the extent that FERC authorizes the Scheduling Coordinator to recover any costs pursuant to the Scheduling Coordinator's filing, the CAISO will pay the Scheduling Coordinator any amounts the Commission deems recoverable and will allocate such amounts pursuant to Section 11.14.

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39.7.1.1.1.3 Calculation of Natural Gas Price

- (a) The CAISO will use different gas price indices for the Day-Ahead Market and the Real-Time Market. If a gas price index is unavailable for any reason, the CAISO will use the most recently available gas price index as set forth in Section 39.7.1.1.1.3(c).
- (b) For the Day-Ahead Market, the CAISO will use a gas price index reported by the Intercontinental Exchange between 8:00 and 9:00 Pacific Time, which is a volume-weighted average price calculated by the Intercontinental Exchange based on trades transacted on the Intercontinental Exchange during its next-day trading window.
- (c) For the Real-Time Market, the CAISO will calculate a gas price index using at least two prices from two or more of the following publications: Natural Gas Intelligence, SNL Energy/BTU's Daily Gas Wire, Platt's Gas Daily, and the Intercontinental Exchange. The CAISO will update gas price indices for the Real-Time Market between the hours of 19:00 and 22:00 Pacific Time using natural gas prices published one (1) day prior to the applicable Trading Day, unless gas prices are not published on that day, in which case the CAISO will use the most recently published prices that are available.
- (d) For the Real-Time Market, the CAISO will increase the gas price calculated pursuant to Section 39.7.1.1.1.3(c) for resources receiving gas service from Southern California Gas Company and San Diego Gas & Electric Company by an amount that: (1) improves the dispatch of these resources so that they are more likely to be dispatched to address local needs rather than system needs; (2) better accounts for systematic differences between day-ahead and same-day natural gas prices; and (3) improves the ability to manage the generators' gas usage within applicable gas balancing rules. For applicable resources, the CAISO will initially increase the gas commodity price used in the calculation of Start-Up Costs, Minimum Load Costs, and Transition Costs pursuant to Section 30.4.1.1, and Generated Bids pursuant to Section 40.6.8, by seventy-

five (75) percent, and may decrease this amount or increase it further by an amount not to exceed \$2.50/therm plus two (2) times the next-day gas index price calculated pursuant to Section 39.7.1.1.1.3(b). For applicable resources, the CAISO will initially increase the gas commodity price used in the calculation of Default Energy Bids pursuant to Section 39.7.1.1 by twenty-five (25) percent, and may decrease this amount or increase it further by an amount not to exceed one hundred (100) percent. Upon determining that a subsequent increase in the gas price is necessary after the initial increase, the CAISO will issue a Market Notice specifying the amount of the increase.