

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

California Independent System Operator  
Corporation

Docket No. ER-14-1220-000

**MOTION TO FILE ANSWER TO PROTEST,  
AND ANSWER TO PROTEST OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“ISO”) hereby submits this motion to file an answer, and its answer to the San Diego Gas & Electric Company (“SDG&E”) protest of the ISO’s tariff filing to establish a manual resource adequacy substitution process, on an interim basis, until a fully automated process is implemented, which is expected to be in Fall 2014.<sup>1</sup> SDG&E opposes only one provision in the filing – proposed tariff section 40.9.4.2.1(j), which addresses the allocation of a partial de-rate at a substitute resource across any commitments the resource has to provide resource adequacy capacity or capacity under a capacity procurement mechanism designation. The Commission should disregard SDG&E’s protest, or direct the ISO to modify section 40.9.4.2.1(j) as proposed by the ISO in this answer. No other party has protested or filed comments on the ISO’s tariff filing.

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, Motion to Intervene and Protest of San Diego Gas & Electric Company, Docket No. ER14-1220-000 (February 20, 2014)(“SDG&E Protest”).

## **I. BACKGROUND**

On January 30, 2014, the ISO submitted a tariff filing to modify existing resource adequacy provisions in order to clarify and add details about: i) how a resource adequacy resource on a forced outage or de-rate may use one or multiple resources to provide substitute capacity for its resource adequacy capacity that is unavailable; ii) how an alternate resource may provide substitute capacity for up to two resource adequacy resources at the same time; and iii) how reduced capacity due to a partial de-rate at a substitute resource should be allocated across the categories of resource adequacy capacity, resource adequacy replacement capacity, resource adequacy substitution capacity, and backstop capacity under the capacity procurement mechanism that the resource provides.

Currently, ISO systems do not have the functionality necessary to accommodate the submission and processing of requests by single resources to provide substitute capacity for multiple resources at the same time. In its filing, the ISO proposed to facilitate substitution by establishing an interim manual process under which alternate resources, under specific conditions, may substitute for up to two resource adequacy resources on a forced outage or de-rate. The ISO is developing an automated process that will provide full capability for market participants to engage in a multiple resource substitution, which is expected to be deployed in Fall 2014.

On February 20, 2014, SDG&E filed a motion to intervene and protest in this matter. SDG&E's protest is not aimed at the ISO's proposed interim, manual substitution process. In its protest, SDG&E expresses support for the proposal:

These so-called "many-for-one" and "one-for-many" rules will allow the responsible market participant greater opportunities to substitute capacity

for nonperforming or unavailable resources. These new rules will also allow the responsible market participant to receive economic incentives tied to the performance of their resource-adequacy portfolios and/or avoid financial penalties triggered by the unavailability of their resource-adequacy resources. SDG&E fully supports the intention and implementation of these new rules.<sup>2</sup>

SDG&E's protest instead focuses on tariff section 40.9.4.2.1(j), which discusses the allocation of a partial derate at a substitute resource across the categories of resource adequacy capacity, resource adequacy replacement capacity, resource adequacy substitution capacity, and backstop capacity under the capacity procurement mechanism that the resource provides. SDG&E objects to this provision:

This seemingly innocuous provision is inconsistent with other existing provisions of the ISO tariff, will result in the unreasonable loss of performance incentives and unjust imposition of performance penalties for certain market participants, unnecessarily modifies the preexisting rules governing the allocation or resource de-rates, will result in higher costs to consumers without offering any commensurate improvements to system reliability, and should either be modified or rejected by the Commission.<sup>3</sup>

SDG&E suggests that the Commission conform proposed section 40.9.4.2.1(j) to the allocation steps in existing section 40.9.4.2.2, discussed below.

## **II. MOTION FOR LEAVE TO ANSWER PROTEST**

The ISO submits this answer pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213. The ISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer the protest filed in this proceeding. Under Rule 213(a)(1) of the Commission's Rules of Practice and Procedure, a party may answer any pleading unless otherwise prohibited.

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<sup>2</sup> SDG&E Protest, p.2.

<sup>3</sup> SDG&E Protest, p. 5.

Rule 213(a)(2) generally prohibits answers to protests.<sup>4</sup> The Commission has accepted answers that are otherwise prohibited if such answers clarify the issues in dispute.<sup>5</sup>

Good cause for this waiver exists here because the answer will aid the Commission in understanding, provide additional information to assist the Commission in its decision-making process, and assist in resolving the issues.<sup>6</sup> The answer will address the fundamental misunderstanding in SDG&E's protest of existing ISO tariff section 40.9.4.2.2 and proposed section 40.9.4.2.1(j), and that proposed section 40.9.4.2.1(j) is consistent with the ISO's current practice of accounting for de-rates at resources providing resource adequacy capacity.

For these reasons, the Commission should accept the answer.

### **III. ANSWER**

In its protest, SDG&E claims that proposed section 40.9.4.2.1(j) is without discernable purpose and will arbitrarily change the way that the ISO allocates de-rates at resources across their non-resource adequacy capacity and resource adequacy commitments. To the contrary, section 40.9.4.2(j) is necessary to clarify how a de-rate at a resource providing substitute capacity for one or multiple resource adequacy resources will be accounted for in conformance with that existing practice.

Section 40.9.4.2.2 describes the ISO's existing practice for allocating a de-rate at a resource that is not fully committed as resource adequacy capacity in a monthly

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<sup>4</sup> 18 C.F.R. § 385.213(a)(2)(2013).

<sup>5</sup> See, e.g., *El Paso Electric Co., et al. v. Southwestern Pub. Serv Co*, 72 FERC ¶ 61,292 at 62,256 (1995); *Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023 at P 16 (2010); *Xcel Energy Services, Inc.*, 124 FERC ¶ 61,011 at P 20 (2008).

<sup>6</sup> See, e.g., *Entergy Services, Inc.*, 116 FERC ¶ 61,286, at P 6 (2006); *Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,124, at P 11 (2006); *High Island Offshore System, L.L.C.*, 113 FERC ¶ 61,202, at P 8 (2005).

resource adequacy supply plan. Under section 40.9.4.2.2, a de-rate at a partial resource adequacy resource is applied first to any non-resource adequacy capacity of the resource and any remaining de-rate will then be applied to resource adequacy capacity on a pro-rata basis to any contract capacity exempt under section 40.9.2(2) and any non-exempt resource adequacy capacity commitment from that resource. The details of the calculation are discussed in the Business Practice Manual for Settlements and Billing, Configuration Guide: Standard Capacity Product Pre-calculation.<sup>7</sup>

The adoption of section 40.9.4.2.1(j) is necessary because existing section 40.9.4.2.2 applies to a resource that is partially committed as resource adequacy capacity in a supply plan. Under the tariff filing in this matter, however, a resource providing resource adequacy substitute capacity for one or more resources may or may not have been committed as resource adequacy capacity in a supply plan. Section 40.9.4.2.1(j) is needed to establish in the tariff that an outage or de-rate at a resource providing resource adequacy substitute capacity for one or more units is accounted for in the same manner, whether or not the resource was initially included in a supply plan.

Proposed section 40.9.4.2.1(j) also provides additional detail about the commitments over which the outage or de-rate at a substitute resource will be allocated. Section 40.9.4.2.2 refers very generally to “any non-exempt resource adequacy capacity.” Section 40.9.4.2.1(j) lists the resource adequacy and backstop commitments to which the unavailable capacity will be allocated.<sup>8</sup> This more specific language is

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<sup>7</sup> The Settlements & Billing, BPM Configuration Guide: Standard Capacity Product Pre-calculation, is posted on the ISO website at <http://bpmcm.caiso.com/Pages/SnBBPMDetails.aspx?BPM=Settlements%20and%20Billing>.

<sup>8</sup> Under section 43.5.1, “[c]apacity from resources designated under the CPM shall be subject to all of the availability, dispatch, testing, reporting, verification and any other applicable requirements imposed under Section 40.6 on Resource Adequacy Resources identified in Resource Adequacy Plans. See

necessary and appropriate to make it clear that the unavailable capacity will be attributed to all of the resource's commitments, including each commitment to provide substitute capacity, whether for one or multiple resources.

Contrary to statements made in SDG&E's protest, proposed section 40.9.4.2.1(j) is neither arbitrary nor unnecessary. It is reasonable and necessary to extend the allocation of capacity reductions caused by a de-rate to substitute resources that are not included in a monthly supply plan and provides greater specificity about how those derates could impact the resource's commitments to provide resource adequacy capacity and backstop capacity. The proposed language is also consistent with the ISO's existing practices, as discussed above, and should be approved by the Commission. The existing and proposed allocation processes are the same.

Further, SDG&E's protest misinterprets section 40.9.4.2.1(j) as completely replacing the provisions in section 40.9.4.2.2 with respect to substitute resources. The ISO did not propose section 40.9.4.2.1(j) to change the steps the ISO will take to account for a de-rate at a partial resource adequacy resource, as SDG&E alleges. It is the ISO's intent that section 40.9.4.2.2, which remains in the tariff unmodified, be read together with section 40.9.4.2.1(j), which addresses the allocation of de-rated capacity at a substitute resource. In combination, these sections provide that, in the event of a de-rate at a substitute resource, the ISO will apply the de-rate first to any non-resource adequacy capacity of the resource, then to pro-rata to resource adequacy capacity exempt under section 40.9.2.2 and to the categories of resource adequacy capacity, resource adequacy replacement capacity resource adequacy substitution capacity, and

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section 43.7.1.1 for the calculation of the availability of capacity under the capacity procurement mechanism.

backstop capacity under the capacity procurement mechanism that the resource provides.

Notwithstanding the ISO's position that section 40.9.4.2.1(j) should be adopted as submitted without modification, in order to address SDG&E's concern and avoid possible misinterpretation in the future of how section 40.9.4.2.2 and 40.9.4.2.1(j) apply to a substitute resources, the ISO will in a compliance filing, if directed by the Commission, modify section 40.9.4.2.1(j) to expressly state that:

In the event the resource providing RA Substitute Capacity has an outage or de-rate during the substitution period, the CAISO shall allocate the MW reduction in available capacity in accordance with section 40.9.4.2.2. The allocation to any non-exempt resource adequacy capacity shall be made on a pro-rata basis to each commitment of the substitute resource to provide RA Capacity, RA Replacement Capacity, RA Substitution Capacity, and CPM Capacity.

Given that SDG&E's protest requested "modification of proposed Section 40.9.4.2.1(j) to be consistent with existing tariff Section 40.9.4.2.2,"<sup>9</sup> the ISO submits that this clarification should resolve SDG&E's protest.

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<sup>9</sup> SDG&E Protest, p. 10.

#### IV. CONCLUSION

For the foregoing reasons, the ISO requests that the Commission accept this answer, and reject SDG&E's protest or, the alternative, direct the ISO to modify section 40.9.4.2.1(j) as discussed above.

Respectfully submitted,

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## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced 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 12<sup>th</sup> day of March 2014.

*Anna Pascuzzo*

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