

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

**California Independent System  
Operator Corporation**

**Docket No. ER12-1630**

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

**I. Introduction**

The California Independent System Operator Corporation (ISO)<sup>1</sup> files this answer to the comments submitted by Pacific Gas and Electric Company (PG&E) in response to the ISO's October 19, 2012 compliance filing in this proceeding. The ISO requests that the Commission accept this answer and find the ISO's October 19, 2012 filing fully compliant with the Commission's September 20, 2012 Order on Compliance.<sup>2</sup>

**II. The ISO will develop and present a paper to stakeholders explaining the methodology it will use to adjust resource-specific mileage multipliers.**

Under the ISO's market design for a regulation performance payment, a resource's awarded mileage should approximate the resource's actual mileage in response to an ISO control signal. As part of its answer to comments in this proceeding, the ISO agreed to incorporate into its market design the ability to make

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<sup>1</sup> The ISO is also sometimes referred to as the CAISO. Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the ISO tariff.

<sup>2</sup> *California Independent System Operator Corp.* 140 FERC ¶ 61,206 September 2012 (*September 2012 Order*). 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 (2010). The ISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer the comments filed in this proceeding. Good cause for this waiver exists because the ISO's answer will provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case. 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).

adjustments as part of its optimization in order to align a resource's regulation mileage award with the resource's expected performance in responding to a control signal.<sup>3</sup> The ISO agreed that this adjustment could mitigate instances in which the ISO may dispatch resources for more mileage than the ISO estimated the resource would provide as part of the day-ahead optimization. Absent mitigation, these instances could lead to unanticipated bid cost recovery payments.

In its *September 20 Order*, the Commission accepted this proposal but asked the ISO to explain how the ISO will implement this adjustment and how affected resources will receive notice of any adjustments made by the ISO.<sup>4</sup> In its October 19, 2012 compliance filing, the ISO explained in detail how it intended to implement this adjustment and how it will notify resources of any adjustments the ISO makes. The ISO clarified that it would make adjustments to resource-specific mileage multipliers only after observing significant variances between mileage awarded to a resource for purposes of establishing a market clearing price and instructed mileage as adjusted for accuracy, and only after discussing the adjustment with the resource's scheduling coordinator.

In its answer, nevertheless, PG&E asks the Commission to direct the ISO to produce a paper providing more explanation of its methodology for making any adjustments to mileage awarded to specific resources. PG&E asks the Commission to require the ISO to issue this paper in advance of placing a performance payment for regulation into production. The ISO has discussed this request with PG&E and is willing

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<sup>3</sup> Answer to Motions to Intervene and Comments dated June 4, 2012 in ER12-1630 at 6-8.

<sup>4</sup> *September 2012 Order* at P 73.

to develop a paper that explains the mechanics of how this adjustment will work with examples to explain instances in which the ISO will seek to make adjustments to mileage awarded to a resource.<sup>5</sup> The ISO will make this paper available to all stakeholders and provide an opportunity for stakeholder input and questions during the implementation and testing stage of this market enhancement.

**III. The Commission should accept the ISO's proposed tariff language pertaining to the potential to adjust to resource-specific mileage multipliers.**

In its October 19, 2012 compliance filing, the ISO proposed the following language to reflect that it may make adjustments as part of its optimization in order to align a resource's regulation mileage award with the resource's expected performance in responding to a control signal:

The CAISO may adjust resource specific Mileage multipliers to align a resource's awarded Mileage with the resource's expected Mileage.

PG&E asks the Commission to direct the ISO to change this tariff language to read as follows: "The CAISO may adjust the range for a specific resource's Mileage award to more closely align awarded mileage with the resource's expected mileage."

The ISO appreciates PG&E's recommendation, but PG&E's recommended tariff language changes are unnecessary. To implement an adjustment as part to the optimization (i.e. before a resource receives a mileage award), the ISO will need to adjust resource-specific mileage multipliers. This approach effectively accomplishes the intent of PG&E's proposed language (i.e. an adjustment to the range for a specific resource's mileage award). By adjusting resource-specific mileage multipliers, the ISO

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<sup>5</sup> The ISO believes this information is already available in its business requirements specifications and pleadings in this proceeding but understands the value of developing such a paper for stakeholder review.

can modify a resource's awarded mileage to reflect the expected actual mileage the resource may provide and, therefore, help ensure the efficient selection of resources to satisfy mileage and regulation capacity requirements as part of the co-optimization.

#### **IV. Conclusion**

As requested by PG&E, the ISO commits to develop and publish a paper for stakeholder review that explains the methodology for making any adjustments to resource-specific mileage multipliers. The ISO requests that the Commission accept the ISO's October 19, 2012 filing as fully compliant with the Commission's *September 2012 Order*.

Respectfully submitted,

**By: /s/ Andrew Ulmer**

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## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service lists for 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. § 385.2011).

Dated at Folsom, California this 19<sup>th</sup> day of November, 2012.

*/s/ Anna Pascuzzo*

Anna Pascuzzo