

October 21, 2020

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

**Re: California Independent System Operator Corporation
Compliance Filing**

Docket Nos. ER19-2757-001

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) submits this filing to comply with the order issued in this proceeding on September 21, 2020.¹

In the September 21 Order, the Commission accepted the CAISO's tariff revisions to comply with Order No. 831,² subject to the CAISO's submittal of a further compliance filing within 30 days, *i.e.*, by October 21, 2020.³ The Commission agreed with a specific proposal the CAISO made, in its answer to comments, to clarify tariff section 39.6.1.1.3 regarding the minimum load cost hard cap in its further compliance filing.⁴ Those clarifications are reflected in the clean version of revised section 39.6.1.1.3 contained in Attachment A to this filing and in the red-lined version of the revised section contained in Attachment B hereto.

The Commission also directed the CAISO to update in its further compliance filing the eTariff records for the tariff revisions accepted in this proceeding, to reflect the Commission's order conditionally accepting tariff

¹ *Cal. Indep. Sys. Operator Corp.*, 172 FERC ¶ 61,262 (2020) (September 21 Order).

² *Offer Caps in Mkts. Operated by Reg'l Transmission Orgs. & Indep. Sys. Operators*, Order No. 831, FERC Stats. & Regs. ¶ 31,387 (2016), *order on reh'g and clarification*, Order No. 831-A, 161 FERC ¶ 61,156 (2017).

³ The Commission accepted the tariff revisions effective as of March 21, 2021. September 21 Order at PP 1, 58.

⁴ See *id.* at PP 16, 20-21, 23.

revisions contained in the CAISO's amendment in Docket No. ER20-2360-000 to enable updates to default commitment cost and default energy bids.⁵ The CAISO has updated the relevant eTariff records. The updates are reflected in the clean tariff provisions contained in Attachment C to this filing and in the red-lined document contained in Attachment D to this filing. Attachments C and D do not include any new proposed tariff revisions, but instead solely include tariff revisions the Commission has already accepted in the instant proceeding and in Docket No. ER20-2360-000.

The CAISO has served copies of this filing on all the parties to the service list for this proceeding. In addition, the CAISO is posting this filing on the CAISO website.

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

Respectfully submitted,

/s/ Anna McKenna
Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Anna A. McKenna
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Phone: (916) 608-7144
Fax: (916) 608-7222
amckenna@caiso.com

Counsel for the California Independent
System Operator Corporation

⁵ See *id.* at PP 33-35, 37 (citing *Cal. Indep. Sys. Operator Corp.*, 172 FERC ¶ 61,263 (2020)).

Attachment A – Clean Tariff – Clarification Regarding Minimum Load Cost Hard Cap

Order No. 831 Compliance Revisions

California Independent System Operator Corporation

October 21, 2020

39.6.1.1.3 Minimum Load Cost Hard Cap

All Minimum Load Bids are subject to the Minimum Load Cost Hard Cap. Scheduling Coordinators may submit Minimum Load Bid prices in excess of the Minimum Load Cost Hard Cap, which the CAISO will cost-verify pursuant to the rules specified in Section 30.11.

Attachment B – Marked Tariff – Clarification Regarding Minimum Load Cost Hard Cap

Order No. 831 Compliance Revisions

California Independent System Operator Corporation

October 21, 2020

39.6.1.1.3 Minimum Load Cost Hard Cap

All Minimum Load Bids ~~are subject to~~must not exceed the Minimum Load Cost Hard Cap. Scheduling Coordinators may submit Minimum Load Bid prices in excess of the Minimum Load Cost Hard Cap, which the CAISO will cost-verify pursuant to the rules specified in Section 30.11.

Attachment C – Clean Tariff – Updates to Tariff Records Reflecting Accepted Language

Order No. 831 Compliance Revisions

California Independent System Operator Corporation

October 21, 2020

Order No. 831 Compliance Redline updated to include currently effective language and CCDEBE language accepted in Docket No. ER20-2360-000 (redlines show differences from original (1st) version of CCDEBE language rejected without prejudice in Docket No. ER19-2727-000; underlying language is the Order No. 831 compliance version accepted in Docket No. ER19-2757-000)

30.11.1 Reasonableness Thresholds

The CAISO will calculate the Reasonableness Thresholds for the purpose of evaluating increases to Reference Levels pursuant to this Section 30.11.1.

30.11.1.1 General Applicability

The CAISO will calculate the Reasonableness Thresholds for all resources except for Non-Resource-Specific System Resources. The CAISO will not calculate Reasonableness Thresholds for evaluating Reference Level Change Requests for Bids from resources, other than Hydro Default Energy Bids or for Virtual Bids. For resources for which the CAISO does not calculate Default Energy Bids, the CAISO will set the Reasonableness Threshold at the Soft Energy Bid Cap. The Reasonableness Threshold for Default Energy Bid or Default Minimum Load Bid adjustments shall not exceed the Hard Energy Bid Cap or Minimum Load Cost Hard Cap, respectively.

30.11.1.2 Calculations

30.11.1.2.1 Natural Gas-Fired Resources

For natural gas-fired resources, the CAISO will calculate the Reasonableness Threshold to equal the Proxy Cost-based Default Start-Up Bid, the Proxy Cost-based Default Minimum Load Bid, or the Variable Cost-based Default Energy Bid calculated for the specific resource, where the natural gas commodity price component determined pursuant to Section 39.7.1.1.1.3 is multiplied by: one hundred twenty-five percent (125%) for days without a published daily gas price index consistent with the rules in Section 39.7.1.1.1.3, unless the CAISO has updated the natural gas commodity price used to calculate the Reasonableness Threshold pursuant to Section 30.11.1.3, in which case the CAISO will use one hundred ten percent (110%); or (ii) one hundred ten percent (110%) for all other days. Provided, however, that the

CAISO will set the Reasonableness Threshold for a specific resource to its Reference Level when it accepts a manual Reference Level Change Request as provided in Section 30.11.5.

30.11.1.2.2 Non-Natural Gas-Fired Resources

For non-natural gas-fired resources, the CAISO will calculate the Reasonableness Threshold to equal the Proxy Cost-based Default Start-Up Bid, the Proxy Cost-based Default Minimum Load Bid, or the Variable Cost-based Default Energy Bid, with the fuel or fuel-equivalent cost component of that calculation registered in the Master File being multiplied by one hundred ten percent (110%).

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30.11.2 Reference Level Change Requests

30.11.2.1 Applicability

A Scheduling Coordinator may submit a Reference Level Change Request for Default Start-Up Bids, Default Minimum Load Bids, and Default Energy Bids, as applicable. Scheduling Coordinators may not submit Reference Level Change Requests for Bids by Non-Resource-Specific System Resources. Resources under the Registered Cost methodology are not eligible for Reference Level Change Requests for Default Minimum Load Bids or Default Start-Up Bids. Scheduling Coordinators may not submit Reference Level Change Requests to recover costs associated with gas company imbalance penalties.

30.11.2.2 Requirements

All Reference Level Change Requests must be based on the Scheduling Coordinator's reasonable expectation that its daily actual fuel costs or fuel-equivalent costs for a given Trading Day will exceed the costs used by the CAISO to calculate the resource's Reference Levels, and must reflect reasonable and prudent procurement practices. All Reference Level Change Requests must be calculated using actual or expected fuel costs or fuel-equivalent costs supported by Documentation of Contemporaneously Available Information.

30.11.2.3 Energy Bids Above the Soft Energy Bid Cap

A Scheduling Coordinator whose Default Energy Bid does not exceed the Soft Energy Bid Cap and that

intends to submit an Energy Bid that exceeds the Soft Energy Bid Cap must submit a Reference Level Change Request. The CAISO will further verify Energy Bids in excess of the Soft Energy Bid Cap pursuant to the applicable rules in Section 30.7.

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30.12 After-CAISO Market Process Cost Recovery

30.12.1 Applicability

Scheduling Coordinators may request an additional uplift payment to cover a resource's actual fuel costs or fuel-equivalent costs associated with Start-Up Bid Costs, Minimum Load Bid Costs, Transition Bid Costs, and Energy Bid Costs used in the Bid Cost Recovery mechanism, and that are for:

- (a) amounts in a Reference Level Change Request that were not approved pursuant to Section 30.11; or
- (b) amounts in a Reference Level Change Request for a Default Energy Bid or Default Minimum Load Bid that exceeds the Hard Energy Bid Cap or the Minimum Load Cost Hard Cap, respectively.

Scheduling Coordinators may not request additional uplift payments under this section to cover costs associated with gas company imbalance penalties.

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34.10 Dispatch of Energy from Ancillary Services

The CAISO may issue Dispatch Instructions to Participating Generators, Participating Loads, Proxy Demand Resources, (via communication with the Scheduling Coordinators of Demand Response Providers) System Units and System Resources contracted to provide Ancillary Services (either procured through the CAISO Markets, Self-Provided by Scheduling Coordinators, or through Exceptional Dispatch or dispatched in accordance with a Legacy RMR Contract) for the Supply of Energy. During normal operating conditions, the CAISO may Dispatch those Participating Generators, Participating Loads, Proxy

Demand Resources, System Units and System Resources that have contracted to provide Spinning and Non-Spinning Reserve, except for those reserves designated as Contingency Only, in conjunction with the normal Dispatch of Energy. Contingency Only reserves are Operating Reserve capacity that have been designated, either by the Scheduling Coordinator or the CAISO, as available to supply Energy in the Real-Time only in the event of the occurrence of an unplanned Outage, a Contingency or an imminent or actual System Emergency. During normal operating conditions, the CAISO may also elect to designate any reserve not previously identified as Contingency Only by Scheduling Coordinator as Contingency Only reserves. In the event of an unplanned Outage, a Contingency or a threatened or actual System Emergency, the CAISO may dispatch Contingency Only reserves. If Contingency Only reserves are dispatched through the RTCD, which as described in Section 34.5.2 only Dispatches in the event of a Contingency, such Dispatch and pricing will be based on the original Energy Bids. If Contingency Only reserves are dispatched in response to a System Emergency that has occurred because the CAISO has run out of Economic Bids when no Contingency event has occurred, the RTED will Dispatch such Contingency Only reserves using the Hard Energy Bid Cap as the Energy Bids for such reserves and will set prices accordingly. If a Participating Generator, Participating Load, System Unit or System Resource that is supplying Operating Reserve is dispatched to provide Energy, the CAISO shall replace the Operating Reserve as necessary to maintain NERC and WECC reliability standards, including any requirements of the NRC. If the CAISO uses Operating Reserve to meet Real-Time Energy requirements, and if the CAISO needs Operating Reserves to satisfy NERC and WECC reliability standards, including any requirements of the NRC, the CAISO shall restore the Operating Reserves to the extent necessary to meet NERC and WECC reliability standards, including any requirements of the NRC through either the procurement of additional Operating Reserve in the RTM or the Dispatch of other Energy Bids in SCED to allow the resources that were providing Energy from the Operating Reserve to return to their Dispatch Operating Target. The Energy Bid Curve is not used by the AGCsystem when Dispatching Energy from Regulation. For Regulation Up capacity, the upper portion of the resource capacity from its Regulation Limit is allocated to Regulation regardless of its Energy Bid Curve. For a resource providing Regulation Up or Operating Reserves the remaining Energy Bid Curve shall be allocated to any RTM AS Awards in the following order from higher to lower capacity where applicable: (a)

Spinning Reserve; and (b) Non-Spinning Reserve. For resources providing Regulation Up, the applicable upper Regulation Limit shall be used as the basis of allocation if it is lower than the upper portion of the Energy Bid Curve. The remaining portion of the Energy Bid Curve, if there is any, shall constitute a Bid for RTM Energy. For Regulation Down capacity, the lower portion of the resource capacity from its applicable Regulation Limit is allocated to Regulation regardless of its Energy Bid Curve.

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39.7.1 Calculation of Default Energy Bids

Default Energy Bids shall be calculated by the CAISO, for the on-peak hours and off-peak hours for both the DAM and RTMs, pursuant to one of the methodologies described in this Section. The Scheduling Coordinator for each Generating Unit owner or Participating Load must rank order the following options of calculating the Default Energy Bid starting with its preferred method. The Scheduling Coordinator must provide the data necessary for determining the Variable Costs unless the Negotiated Rate Option precedes the Variable Cost Option in the rank order, in which case the Scheduling Coordinator must have a negotiated rate established with the Independent Entity charged with calculating the Default Energy Bid. If no rank order is specified for a Generating Unit or Participating Load, then the default rank order of (1) Variable Cost Option, (2) Negotiated Rate Option, (3) LMP Option will be applied. For the first ninety (90) days after changes to resource status and MSG Configurations as specified in Section 27.8.3, including the first ninety (90) days after the effective date of Section 27.8.3, the Default Energy Bid option for the resource is limited to the Negotiated Rate Option or the Variable Cost Option. Default Energy Bids used for purposes other than for calculating Reasonableness Thresholds will be subject to the Soft Energy Bid Cap, unless the CAISO has approved a Reference Level Change Request pursuant to Section 30.11 in support of an Energy Bid above the Soft Energy Bid Cap.

39.7.1.1 Variable Cost Option

For natural gas-fueled units, the Variable Cost Option will calculate the Default Energy Bid by adding incremental cost (comprised of incremental fuel cost plus a volumetric Grid Management Charge adder plus a greenhouse gas cost adder if applicable) with variable operation and maintenance cost, by

multiplying the sum by the Default Energy Bid Multiplier, adding a Bid Adder if applicable for a Frequently Mitigated Unit, and adding Variable Energy Opportunity Costs, if any. For non-natural gas-fueled units, the Variable Cost Option will calculate the Default Energy Bid by summing incremental fuel or fuel-equivalent cost plus a volumetric Grid Management Charge plus a greenhouse gas cost adder if applicable, multiplying the sum by the Default Energy Bid Multiplier, adding a Bid Adder if applicable for a Frequently Mitigated Unit, and adding Variable Energy Opportunity Costs, if any. For any Default Energy Bids calculated under the Variable Cost Option that exceed \$1,000 per MWh because of an approved Reference Level Change Request, any ten percent (10%) adder or Frequently Mitigated Unit adder shall not exceed \$100 per MWh.

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Attachment D – Marked Tariff – Updates to Tariff Records Reflecting Accepted Language

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California Independent System Operator Corporation

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30.11.1.1 General Applicability

The CAISO will calculate the Reasonableness Thresholds for all resources except for Non-Resource-Specific System Resources. The CAISO will not calculate Reasonableness Thresholds for evaluating Reference Level Change Requests for Bids from resources, other than Hydro Default Energy Bids or for Virtual Bids. ~~In no case will Reasonable Thresholds be lower than a resource's Default Commitment Cost Bids or Default Energy Bids that were established prior to the submission of the Reference Level Change Request.~~ For resources for which the CAISO does not calculate Default Energy Bids, the CAISO will set the Reasonableness Threshold at the Soft Energy Bid Cap. The Reasonableness Threshold for Default Energy Bid or Default Minimum Load Bid adjustments shall not exceed the Hard Energy Bid Cap or Minimum Load Cost Hard Cap, respectively.

30.11.1.2 Calculations

30.11.1.2.1 Natural Gas-Fired Resources

For natural gas-fired resources, the CAISO will calculate the Reasonableness Threshold to equal the ~~Proxy Cost based on the~~ Proxy Cost-based Default Start-Up Bid, the Proxy Cost-based Default Minimum Load Bid, or the Variable Cost-based Default Energy Bid calculated for the specific resource, where the natural gas commodity price component determined pursuant to Section 39.7.1.1.1.3 is multiplied by: one hundred twenty-five percent (125%) for days without a published daily gas price index consistent with the rules in Section 39.7.1.1.1.3, unless the CAISO has updated the natural gas commodity price used to

calculate the Reasonableness Threshold pursuant to Section 30.11.1.3, in which case the CAISO will use one hundred ten percent (110%); or (ii) one hundred ten percent (110%) for all other days. Provided, however, that the CAISO will set the Reasonableness Threshold for a specific resource to its Reference Level when it accepts a manual Reference Level Change Request as provided in Section 30.11.5.

30.11.1.2.2 Non-Natural Gas-Fired Resources

For non-natural gas-fired resources, the CAISO will calculate the Reasonableness Threshold to equal the Proxy Cost-based Default Start-Up Bid, the Proxy Cost-based Default Minimum Load Bid, or the Variable Cost-based Default Energy Bid, with the fuel or fuel-equivalent cost component of that calculation registered in the Master File being multiplied by one hundred ten percent (110%).

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30.11.2.2 Requirements

~~Scheduling Coordinators must calculate their Reference Level Change Request amounts consistent with the methodology used to calculate the Proxy Cost-based Default Start-Up Bid, the Proxy Cost-based Default Minimum Load Bid, and the Variable Cost-based Default Energy Bid.~~ All Reference Level Change Requests must be based on the Scheduling Coordinator's reasonable expectation that its daily actual fuel costs or fuel-equivalent costs for a given Trading Day will exceed the costs used by the CAISO to calculate the resource's Reference Levels, and must reflect reasonable and prudent procurement

practices. All Reference Level Change Requests must be calculated using actual or expected fuel costs or fuel-equivalent costs supported by Documentation of Contemporaneously Available Information.

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resources that were providing Energy from the Operating Reserve to return to their Dispatch Operating Target. The Energy Bid Curve is not used by the ~~AGC Automatic Generation Control~~ system when Dispatching Energy from Regulation. For Regulation Up capacity, the upper portion of the resource capacity from its Regulation Limit is allocated to Regulation regardless of its Energy Bid Curve. For a resource providing Regulation Up or Operating Reserves the remaining Energy Bid Curve shall be allocated to any RTM AS Awards in the following order from higher to lower capacity where applicable: (a) Spinning Reserve; and (b) Non-Spinning Reserve. For resources providing Regulation Up, the applicable upper Regulation Limit shall be used as the basis of allocation if it is lower than the upper portion of the Energy Bid Curve. The remaining portion of the Energy Bid Curve, if there is any, shall constitute a Bid for ~~RTM Real-Time Market~~ Energy. For Regulation Down capacity, the lower portion of the resource capacity from its applicable Regulation Limit is allocated to Regulation regardless of its Energy Bid Curve.

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Cap, unless the CAISO has approved a Reference Level Change Request pursuant to Section 30.11 in support of an Energy Bid above the Soft Energy Bid Cap.

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For natural gas-fueled units, the Variable Cost Option will calculate the Default Energy Bid by adding incremental cost (comprised of incremental fuel cost plus a volumetric Grid Management Charge adder plus a greenhouse gas cost adder if applicable) with variable operation and maintenance cost, ~~adding ten percent (10%) to the sum, and adding a Bid Adder if applicable~~ by multiplying the sum by the Default Energy Bid Multiplier, adding a Bid Adder if applicable for a Frequently Mitigated Unit, and adding Variable Energy Opportunity Costs, if any. For non-natural gas-fueled units, the Variable Cost Option will calculate the Default Energy Bid by summing incremental fuel or fuel-equivalent cost plus a volumetric Grid Management Charge plus a greenhouse gas cost adder if applicable, ~~adding ten percent (10%) to the sum,~~ multiplying the sum by the Default Energy Bid Multiplier, adding a Bid Adder if applicable for a Frequently Mitigated Unit, and adding ~~the~~ Variable Energy Opportunity Costs, if any. For any Default Energy Bids calculated under the Variable Cost Option that exceed \$1,000 per MWh because of an approved Reference Level Change Request, any ten percent (10%) adder or Frequently Mitigated Unit adder shall not exceed \$100 per MWh.

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