

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

**California Independent System            )       Docket No. ER14-2017-001  
Operator Corporation                    )**

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION TO PROTEST**

The California Independent System Operator Corporation (CAISO)<sup>1</sup> files this answer to the protest submitted by Powerex Corp. (Powerex) in the captioned proceeding in response to the CAISO's September 2, 2014, filing to comply with the Commission's "Order Conditionally Accepting Tariff Revisions" issued on July 31, 2014 (September 2 compliance filing).<sup>2</sup>

The Commission should accept the September 2 compliance filing as submitted by the CAISO. As explained below, Powerex was the only party that filed a protest of the compliance filing. Southern California Edison Company (SCE), the party that had initially proposed the use of an accuracy metric, filed comments supporting the compliance filing. In response to one of Powerex's

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in appendix A to the CAISO tariff. Except where otherwise specified, references to section numbers are references to sections of the CAISO tariff as revised by the proposed tariff changes contained in the compliance filing the CAISO submitted in this proceeding.

<sup>2</sup> *California Independent System Operator Corp.*, 148 FERC ¶ 61,089 (2014) (July 31 order). The CAISO files 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 CAISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to make an answer to Powerex's protest. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in the case. See, e.g., *Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011); *California Independent System Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010); *Xcel Energy Services, Inc.*, 124 FERC ¶ 61,011, at P 20 (2008).

concerns, the CAISO clarifies that the accuracy metric will be applied to the unscheduled flow values actually used in the day-ahead market. Powerex's other concern is unfounded because it is just and reasonable to exclude the impact of major unforeseen real-time events from the accuracy metric in order to prevent them from skewing the metric in a way that detracts from measuring the CAISO's accuracy in modeling external unscheduled flow due to major events that could not reasonably have been foreseen in advance.

## **I. Background**

On May 22, 2014, the CAISO filed revisions to its tariff to implement modeling enhancements that included the authority to model unscheduled flow in the CAISO's day-ahead market, the enforcement of power flow constraints in the day-ahead market, and the expansion of the full network model topology to include information on resources, load, and interchange schedules in other balancing authority areas (May 22 tariff filing). The CAISO requested a September 8, 2014, effective date for its proposed tariff revisions to reflect improvements in the CAISO's base market model and use of transaction identifiers, and requested an October 1, 2014, effective date for the balance of the tariff revisions.<sup>3</sup>

On June 27, 2014, the CAISO filed an answer to comments and a limited protest submitted in response to the May 22 tariff filing (June 27 answer). The June 27 answer explained that the Commission should accept the May 22 tariff

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<sup>3</sup> On September 26, 2014, the CAISO filed a petition for limited tariff waiver to permit the tariff revisions the Commission accepted in the July 31 order to become effective as of October 1, 2014, to be implemented on a date between October 15 and November 1, 2014. Commission action on the petition for tariff waiver is pending.

filing, subject to (1) the agreement of the CAISO in the answer in response to a proposal by SCE that the CAISO implement an accuracy metric as a transitional measure that would trigger the temporary suspension of modeling of unscheduled flow on the interties in the day-ahead market when such modeling is not sufficiently accurate, and (2) certain minor clarifications the CAISO committed to make in the answer in response to various comments.

In the July 31 order, the Commission accepted the May 22 tariff filing subject to a compliance filing due within 30 days, *i.e.*, by September 2, 2014.<sup>4</sup> One of the compliance items was that, based on the Commission's review of the "tentative outline" of the accuracy metric contained in the June 27 answer, the Commission found that the CAISO's "offer in its answer to implement an accuracy metric as a transitional measure will provide a further safeguard against inaccurate modeling once the consideration of unscheduled flows is implemented."<sup>5</sup> Therefore, the Commission directed the CAISO to submit a compliance filing that included the final version of the accuracy metric, with a detailed description of the metric's characteristics.<sup>6</sup> The Commission also directed the CAISO to make certain clarifications in its compliance filing.

To satisfy the Commission's directives, the CAISO developed proposed tariff revisions to implement the accuracy metric and to address other

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<sup>4</sup> See July 31 order at Ordering Paragraphs (A)-(B).

<sup>5</sup> *Id.* at PP 58, 61.

<sup>6</sup> *Id.* at P 59.

Commission directives.<sup>7</sup> The proposed tariff revisions in the September 2 compliance filing reflect stakeholder comments on a draft version of the revisions that the CAISO discussed with stakeholders on a conference call held on August 26, 2014.<sup>8</sup>

Only two parties made submittals in response to the September 2 compliance filing: SCE filed comments supporting Commission acceptance of the September 2 compliance filing, and Powerex filed the protest addressed below.

## **II. Answer**

### **A. Powerex Declined to Comment on the Proposed Accuracy Metric in the CAISO Stakeholder Process**

Powerex claims that the proposed accuracy metric was not fully vetted with market participants before it was included in the September 2 compliance filing.<sup>9</sup> That claim ignores the fact that the CAISO undertook as full a stakeholder process as was feasible given the Commission's compliance directives and the time limitations. The July 31 order required a compliance filing within 30 days. Although it is not usual procedure for the CAISO to preview for stakeholders the tariff language to be included in a compliance filing, in this case the CAISO believed it was appropriate to post a draft version of the tariff revisions to implement the accuracy metric for stakeholder review and to host a stakeholder

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<sup>7</sup> The tariff revisions to implement the accuracy metric are contained in proposed tariff section 27.5.1.2.

<sup>8</sup> The CAISO posted the draft tariff revisions for stakeholder review pursuant to a market notice issued on August 21, 2014. See <http://www.caiso.com/informed/Pages/StakeholderProcesses/FullNetworkModelExpansion.aspx> (page on CAISO website regarding modeling enhancements stakeholder initiative).

<sup>9</sup> Powerex at 4.

conference call on the draft tariff revisions before they were finalized and submitted to the Commission. Powerex listened in to that August 26 conference call but chose to stay silent rather than to provide comments on any aspect of the tariff revisions. Thus, Powerex did not avail itself of an opportunity to articulate its views regarding the accuracy metric on the conference call prior to the CAISO's submission of the compliance filing.

**B. It Is Just and Reasonable to Exclude the Impact of Major Unforeseen Real-Time Events from the Accuracy Metric**

In the tariff revisions, the CAISO proposes to exclude the impact of the following unforeseen real-time events from the accuracy metric: the loss of direct current transmission lines, unexpected outages of generators over 1,000 MW, or a derate of over 1,000 MW at any inertia.<sup>10</sup> Powerex argues that excluding the impact of these events undermines the value of the metric.<sup>11</sup>

Powerex is incorrect. As explained in the June 27 answer, in each of the unforeseen real-time circumstances specified above, the CAISO would have been unable to project the occurrence of a major real-time event to include in forecasts.<sup>12</sup> It is appropriate for the CAISO to exclude the impact of these major unforeseen real-time events in order to prevent them from skewing the accuracy of the metric with "false positive" results.

The whole purpose of the metric is to determine the accuracy of the CAISO's measures of external unscheduled flow in the day-ahead market, in

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<sup>10</sup> Proposed tariff section 27.5.1.2.2.

<sup>11</sup> Powerex at 5-6.

<sup>12</sup> June 27 answer at 13.

order to determine when consideration of external unscheduled flow in that market should be suspended.<sup>13</sup> The CAISO's use of a 1,000 MW threshold will ensure that more typical "day-to-day" outages and even the loss of smaller interties will be included in the metric. But if the listed major real-time events were to be included in the metric, the CAISO's measurement of external unscheduled flow would differ from the actual real-time unscheduled flow due to these major events that could not reasonably have been foreseen. Events of this magnitude are beyond the CAISO's ability to control or predict, so including them in the metric would unnecessarily lead to suspending the inclusion of the unscheduled flow measurements in the day-ahead market for a lengthy period notwithstanding the CAISO's ability to make accurate forecasts of foreseeable real-time conditions. This would be inconsistent with the Commission's requirement that the metric "provide a further safeguard against inaccurate modeling once the consideration of unscheduled flows is implemented."<sup>14</sup>

Avoiding such false positive results is especially important because the CAISO proposes to apply the metric based on a three-week rolling average of unscheduled flows under the two scenarios set forth in the tariff revisions.<sup>15</sup> The CAISO needs to ensure that the accuracy of the metric is not skewed for three weeks at a time.

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<sup>13</sup> See transmittal letter for September 2 compliance filing at 3-5.

<sup>14</sup> July 31 order at P 58.

<sup>15</sup> Proposed tariff sections 27.5.1.2.1, 27.5.1.2.2.

Also, the hours excluded from the metric will be documented when the CAISO publishes its daily updates regarding the metric.<sup>16</sup> Thus, it will be transparent to market participants when there have been any exclusions due to the unforeseen real-time events listed above.

**C. The CAISO Clarifies that the Accuracy Metric Will Be Applied to the Unscheduled Flow Values Actually Used in the Day-Ahead Market**

Powerex requests that the CAISO clarify that the accuracy metric will be applied to the unscheduled flow values actually used in the day-ahead market.<sup>17</sup> The CAISO so clarifies. As stated in the September 2 compliance filing, “[f]or the Day-Ahead, the CAISO will rerun a solved case and isolate the flow impact of external Balancing Authority Areas, if modeled, to derive the modeled external unscheduled flow.”<sup>18</sup> The provisions in section 27.5.1.2.1 as proposed by the CAISO first describes the first scenario as modeling the external unscheduled flow impacts of external balancing authority area schedules, and then discusses the comparison of the modeled day-ahead external unscheduled flow to the actual external unscheduled flow. Nothing in that suggests that the accuracy metric could be derived using a different calculation than was actually used in running the day-ahead market. Indeed, Powerex does not point to any proposed language that suggests the CAISO could do so and merely speculates that there is an intent to do so. Thus, it is clear that the CAISO will take the data used in

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<sup>16</sup> June 27 answer at 13. In the September 2 compliance filing, the CAISO proposed to add new tariff section 6.5.3.2.4 to implement the daily updates on the metric.

<sup>17</sup> Powerex at 6-8.

<sup>18</sup> Proposed tariff section 27.5.1.2.1.

the day-ahead market in order to derive the modeled external unscheduled flow utilized in the metric, without modification from the actual market operation.

### **III. Conclusion**

For the foregoing reasons, the Commission should accept the September 2 compliance filing as submitted in the captioned proceeding without condition or modification.

Respectfully submitted,

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Dated: October 3, 2014



## 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 3 day of October, 2014.

*Anna Pascuzzo*  
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