

155 FERC ¶ 61,117
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

April 29, 2016

In Reply Refer To:
California Independent System
Operator Corporation
Docket Nos. ER16-897-001
ER16-897-002

California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Attn: David S. Zlotlow

Reference: Compliance Filing and Petition for Limited Waiver of Tariff Provisions

Dear Mr. Zlotlow:

1. On March 10, 2016, the California Independent System Operator Corporation (CAISO) filed tariff revisions in response to a Commission order issued on February 24, 2016,¹ to revise the effective dates of certain tariff provisions related to the expiration of its currently effective capacity procurement mechanism (CPM) on April 30, 2016 (i.e., tariff sections 43.1 and 43A), and the implementation of its replacement CPM on May 1, 2016 (i.e., 34.11, 39.10.3, 39.10.4, and 40.4.6.2). On April 20, 2016, CAISO filed a request for temporary suspension, or limited waiver, of the same, replacement CPM tariff sections listed above that would otherwise become effective May 1, 2016, until June 1, 2016. As discussed below, we accept CAISO's compliance filing, effective March 25, 2016, and May 1, 2016, as requested. We also grant CAISO's petition for limited waiver of certain tariff sections until June 1, 2016, and direct CAISO to submit a further compliance filing within 15 days of the date of this order, as discussed further below.

¹ *Cal. Indep. Sys. Operator Corp.*, 154 FERC ¶ 61,132 (2016) (February 2016 Order).

2. As discussed in the February 2016 Order, on October 1, 2015, the Commission accepted CAISO's proposal to, among other things, replace its existing CPM tariff authority, which would have expired on February 28, 2016, with a competitive solicitation process to procure backstop capacity effective March 1, 2016.² On February 4, 2016, CAISO filed tariff revisions to extend the implementation of its new CPM tariff authority to April 1, 2016, citing implementation challenges as the reason for its inability to meet the March 1, 2016 implementation date. To effectuate this change, CAISO proposed to revise the date of expiration of its currently effective CPM from February 28, 2016, to March 31, 2016, and revise the effective date of its new CPM from March 1, 2016 to April 1, 2016. In response to comments, CAISO agreed to further extend the implementation of its new CPM to May 1, 2016.

3. On February 24, 2016, the Commission accepted CAISO's proposed tariff revisions, subject to condition. Specifically, the Commission directed CAISO to submit a compliance filing within 15 days to further revise the proposed tariff sections to reflect the extended May 1, 2016 implementation date for its new CPM (i.e., tariff sections 34.11, 39.10.3, 39.10.4, and 40.4.6.2), together with any revisions necessary to extend the expiration of its currently effective CPM (i.e., tariff sections 43.1 and 43A).³

4. In its compliance filing, CAISO resubmits tariff sections 34.11, 39.10.3, 39.10.4, and 40.4.6.2 to reflect the new effective date of May 1, 2016.⁴ CAISO also proposes to revise the language of tariff sections 43.1 and 43A to reflect that the CPM being extended to May 1, 2016, and the current CPM expires on April 30, 2016. CAISO requests an effective date of March 25, 2016, for its proposed revisions to tariff sections 43.1 and 43A. Thus, CASIO asserts that the requested March 25, 2016 effective date reflects a one-month shift corresponding to the new May 1, 2016 implementation date, consistent with the directives of the February 2016 Order.⁵

5. In its petition for limited waiver, CAISO explains that it continues to experience challenges relating to the internal testing and market simulations required for the deployment of the new CPM market functionality. Specifically, CAISO states that it has encountered issues with the key application that is necessary to run the structured market

² *Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,001 (2015), *order on clarification*, 154 FERC ¶ 61,034 (2016).

³ February 2016 Order, 154 FERC ¶ 61,132 at P 11.

⁴ Compliance Filing at 2.

⁵ *Id.* at 2.

simulation scenarios.⁶ CAISO asserts that it was required to reschedule the necessary three-week structured market simulations from April 4, 2016 through April 22, 2016, to April 18, 2016 through May 6, 2016. Since market simulations will not be completed until after May 1, 2016, CAISO argues that the planned May 1, 2016 implementation date for the new CPM is impractical.⁷

6. To remedy this problem, CAISO proposes to extend the implementation of the new CPM to June 1, 2016. CAISO notes, however, that the feasibility of a June 1, 2016 implementation date depends on meeting several milestones related to internal testing and market simulations. Thus, CAISO contends that it should know within a few days following the close of the market simulations on May 6, 2016, whether the proposed June 1, 2016 implementation date is feasible. If not, CAISO states that it will request additional relief to allow a further implementation delay until November 1, 2016.⁸

7. CAISO argues that its request satisfies the Commission's criteria for granting waiver of tariff provisions.⁹ First, CAISO contends that its request for waiver is of limited scope because it will apply until June 1, 2016. Second, CAISO states that its request for waiver will remedy a concrete problem because additional time is needed for testing and addressing any software variances highlighted during testing that render the current May 1, 2016 implementation date infeasible. Third, CAISO argues that its request for waiver will not have undesirable consequences because it will maintain the status quo for a relatively brief period while CAISO and its market participants conduct additional market simulations and pre-implementation steps. CAISO adds that its request for waiver will avoid undesirable consequences by ensuring that the CPM is implemented in a manner that accounts for important reliability concerns. For these reasons, CAISO asserts that good cause exists for the Commission to grant its request for waiver of the tariff provisions listed above until June 1, 2016.¹⁰

⁶ Petition at 4.

⁷ *Id.*

⁸ *Id.* at 5.

⁹ *Id.* at 7.

¹⁰ *Id.* at 8.

8. Finally, in light of the impending May 1, 2016 implementation date, CAISO requests that the Commission shorten the comment period on the instant filing to seven days and issue an order granting its petition by April 29, 2016.¹¹
9. Notice of CAISO's March 10 Filing was published in the *Federal Register*, 81 Fed. Reg. 14,101 (2016), with protests and interventions due on or before March 31, 2016.
10. Notice of CAISO's April 20 Filing was published in the *Federal Register*, 81 Fed. Reg. 24,807 (2016), with protests and interventions due on or before April 27, 2016. Pacific Gas and Electric Company (PG&E) filed comments.
11. PG&E requests that the Commission extend the effective date of CAISO's CPM tariff provisions to November 1, 2016, rather than June 1, 2016.¹² PG&E argues that there is significant uncertainty regarding whether a June 1, 2016 implementation date is possible and that, in light of this uncertainty, it would be better for CAISO and its market participants to target a fall implementation for the new CPM.
12. We find that CAISO's compliance filing satisfactorily complies with the Commission's directives in the February 2016 Order and therefore accept it, effective March 25, 2016, and May 1, 2016, as requested.
13. We also grant CAISO's petition for limited waiver to extend the implementation date of its new CPM from May 1, 2016, until June 1, 2016. The Commission has granted waiver of tariff provisions where: (1) the applicant acted in good faith; (2) the waiver is of limited scope; (3) the waiver addresses a concrete problem; and (4) the waiver does not have undesirable consequences, such as harming third parties.¹³ We find that CAISO's requested waiver satisfies the foregoing criteria. First, based on CAISO's representations, we find that CAISO has acted in good faith in its efforts to ensure that software implementation issues are resolved before the CPM tariff provisions go into effect. Second, we find that CAISO's request is limited in scope because it will apply for

¹¹ *Id.* at 1-2, 8.

¹² PG&E Comments at 2. In its comments, PG&E simultaneously addresses CAISO's request to delay the implementation of its Reliability Services Initiative (RSI) until June 1, 2016, in Docket No. ER15-1825-004. PG&E also requests a November 1, 2016 implementation date for the RSI tariff provisions.

¹³ *See, e.g., Midcontinent Indep. Sys. Operator, Inc.*, 154 FERC ¶ 61,059, at P 14 (2016); *Calpine Energy Serv., LP.*, 154 FERC ¶ 61,082, at P 12 (2016); *New York Power Auth.*, 152 FERC ¶ 61,058, at P 22 (2015).

one month and retains the status quo during that limited period. Third, we find that extending the implementation of the new CPM addresses the concrete problem that CAISO cannot effectively implement the new CPM by May 1, 2016, due to ongoing challenges in preparing new market software for simulation. Fourth, we find that CAISO's request for waiver will prevent undesirable consequences by ensuring that CAISO has sufficient time to ensure that the new CPM market functionality meets its quality metrics and providing market participants with a robust market simulation environment. Finally, because CAISO, the petitioner here, has requested a June 1, 2016 implementation date for the new CPM, we reject PG&E's request for a November 1, 2016 implementation date. We note, however, that CAISO represents that it will know by May 6, 2016, whether the June 1, 2016 date is feasible, and we strongly encourage CAISO to inform its stakeholders and the Commission regarding the feasibility of this date as soon as possible thereafter. Therefore, we grant CAISO's petition for limited waiver.

14. To effectuate the new CPM implementation date, we direct CAISO submit a further compliance filing within 15 days of the date of this order to revise its tariff as follows: (1) revise the effective date of tariff sections 34.11, 39.10.3, 39.10.4, and 40.4.6.2 to reflect June 1, 2016; (2) revise the language of tariff sections 43.1 and 43A to reflect the new June 1, 2016 implementation date; and (3) revise the effective date of tariff sections 43.1 and 43A to reflect April 25, 2016, which represents a one-month shift from March 25, 2016.

By direction of the Commission.

Kimberly D. Bose,
Secretary.