

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

Refinements to Horizontal Market)	
Power Analysis for Sellers in Certain)	Docket No. RM19-2
Regional Transmission Organization)	
and Independent System Operator)	
<u>Markets</u>)	

**MOTION FOR CLARIFICATION OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (CAISO) respectfully submits this motion for clarification¹ of Commission Order No. 861.² In Order No. 861, the Commission adopted a final rule to modify its regulations regarding horizontal market power analysis required for market-based sellers that study markets administered by Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs). The CAISO requests that the Commission clarify its characterization of the CAISO's capacity procurement mechanism (CPM) soft offer cap in Order No. 861 as an estimate of going-forward costs, plus a 20 percent adder, as opposed to an estimate of the cost of new entry.

In this proceeding, some parties argued the Commission should modify its regulations to relax screens used to indicate whether a seller has horizontal market

¹ The CAISO submits this motion pursuant to Rules 212 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212.

² *Refinements to Horizontal Market Power Analysis for Sellers in Certain Regional Transmission Organization and Independent System Operator Markets*, 168 FERC ¶ 61,040, (Order No. 861) (2019).

power in the CAISO balancing authority area because safeguards exist to protect against the exercise of such market power. These parties argued that California's resource adequacy program coupled with the CAISO's backstop procurement process - the CPM - offer adequate safeguards. In part, these parties pointed to the fact that the CAISO's backstop procurement process includes a soft offer cap to mitigate prices.³

In its final rule, the Commission decided to retain the indicative screens for market sellers' analysis of horizontal market power in the CAISO's balancing authority area. In reaching this decision, the Commission characterized the CAISO's soft offer cap as an estimate of the cost of new entry for resources.⁴ This is technically not correct. The CAISO's soft offer cap is based on the estimated levelized going-forward fixed costs of a reference resource, as identified in a May 2014 report prepared by the California Energy Commission, plus a 20 percent adder.⁵ The cap serves as a safe harbor value that resource owners are allowed bid available capacity up to, and receive that value if the CAISO designates their resource for a CPM award. Currently, the soft offer cap is set at \$75.67/kW-year, or \$6.31/kW-month.⁶ The CAISO recommends that the Commission clarify Order No.

³ Order No. 861 at PP 32-37.

⁴ *Id.* at P40.

⁵ *Cal. Indep. Sys. Operator. Corp.*, 153 FERC ¶ 61,001 (2015) at PP 13 and 29. See also CAISO tariff section 43A.4.1.1.2. The reference resource is a mid-cost, merchant constructed, 550 MW combined cycle unit with duct firing. *Id.* at P13.

⁶ CAISO tariff section 43A.4.1.1.

861 to state that the CPM soft offer cap represents an estimate of going forward costs, plus a 20 percent adder, as opposed to an estimate on the cost of new entry.

Respectfully submitted,

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Dated: August 15, 2019

CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned 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 15th day of August, 2019.

/s/ Anna Pascuzzo
Anna Pascuzzo