

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

**California Independent System) Docket No. ER17-415-000
Operator Corporation)**

**MOTION FOR LEAVE TO ANSWER AND ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
TO PROTEST OF THE SIX CITIES**

The California Independent System Operator Corporation (CAISO) files this motion for leave to answer and answer to the protest submitted by the Six Cities¹ in response to the CAISO's November 23, 2016 tariff amendment to implement its administrative pricing policy and clarify and update tariff provisions that apply to emergency operations.²

The Six Cities were the only entities that submitted a filing other than a motion to intervene.³ The Six Cities state that they generally support the elements of the November 23 tariff amendment, with one exception: they oppose the CAISO's proposed alternative approach for addressing suspension of the day-ahead market.⁴ As explained below, the alternative approach that the

¹ The Six Cities comprise the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California.

² 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) to permit it to address the Six Cities' 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., PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,148, at P 10 (2016); *Equitrans, L.P.*, 151 FERC ¶ 61,063, at P 10 n.2 (2015); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010).

³ The following entities filed only motions to intervene: the City of Santa Clara, California; Modesto Irrigation District; Northern California Power Agency; NRG Power Marketing LLC and GenOn Energy Management, LLC; Pacific Gas and Electric Company; and Powerex Corp.

⁴ Six Cities at 1.

CAISO is proposing is just and reasonable, and the Commission should accept it with the rest of the tariff amendment.

I. Answer

In the November 23 tariff amendment, the CAISO proposed to revise its tariff to state that, if the CAISO suspends the day-ahead market, it will use the market results from the previous day's day-ahead market (except for virtual awards), as applicable, for the day-ahead market if the CAISO determines, based on expected system conditions, that using such market results will provide a reasonable profile of schedules to meet the needs of the real-time. If, however, the CAISO determines that using those day-ahead market results will not reasonably meet the needs of the real-time, the CAISO may instead take the alternative approach of relying on real-time market results and manual actions such as exceptional dispatches, as applicable, for pricing and settlement purposes.⁵ The CAISO's proposal contrasts with the current tariff whereby the CAISO must rely solely on the real-time market if a day-ahead market suspension occurs.

The Six Cities support using the market results from the previous day's day-ahead market when the day-ahead market is suspended, but the Six Cities oppose authorizing the CAISO to use the alternative approach described above,

⁵ Transmittal letter for November 23 tariff amendment at 7, 8-10 (discussing new proposed tariff sections 7.7.9(b)(1)(A)-(B)). Under the alternative approach described above, the CAISO will also settle congestion revenue rights using the hourly average of the 15-minute prices in the fifteen minute market for each hour of the real-time market. *Id.*

claiming that it will give the CAISO too much discretion and expose market participants to unjustified risks of volatile real-time market outcomes.⁶

The Six Cities' protest ignores that the current CAISO tariff already requires the CAISO to rely solely on the real-time market and that the CAISO is proposing to amend the tariff to add the alternative (that the Six Cities support) that would allow the CAISO to rely on the prior day's day-ahead market results. Thus, the Six Cities object to an existing option that the CAISO is not proposing to eliminate. The Six Cities offer no evidence showing that this existing option has been problematic or that changed circumstances make it no longer just and reasonable to use. If anything, the proposed tariff revision, compared with retaining the existing approach, should be more preferable for the Six Cities given their arguments. The CAISO is improving the options available to it.

As explained in the November 23 tariff amendment, the CAISO's general preference will be to use the market results from the previous day's day-ahead market in the event of a day-ahead market suspension, but there could be circumstances when CAISO operators would prefer to rely on the real-time market and, therefore, the CAISO proposes to retain this current tariff feature.

The CAISO agrees that the using prior day-ahead market results should be the default approach, for several reasons. First, using the previous day's market results will mitigate against the worst-case scenario in which the real-time market might also need to be suspended. Second, using the previous day's market results will provide the CAISO with a starting point for dispatch and

⁶ Six Cities at 2-4.

settlement, while the real-time market can provide the incremental or decremental differences between the day-ahead and the real-time, thereby minimizing the need for the CAISO to issue manual dispatch instructions. Third, using the previous day's market results will allow market participants to know in advance their market results for the applicable trading day, which will minimize uncertainty and allow market participants to secure fuel and prepare their resources for unit commitment.⁷

In contrast, the CAISO will use the existing, alternative approach only when using the default approach would not reasonably meet the needs of the real-time. Such circumstances might occur if, for example, the day-ahead market were suspended on a Monday, and the load profile for the preceding Sunday (loads being significantly lower on weekends) was so different from Monday's load profile that using the day-ahead market results for Sunday would not permit load commitment and ancillary services requirements to meet the real-time needs. Another example is where the loss of a large generator or a transmission line causes system conditions on a given day to be materially different from the system conditions the next day such that the CAISO would have to make substantial adjustments for load and transmission constraints.⁸

Although the CAISO provides examples of what might justify reliance solely on the real-time market, it would be impracticable to try to specify in advance every possible circumstance in which the default approach would not

⁷ Transmittal letter for November 23 tariff amendment at 9.

⁸ See November 23 tariff amendment, attachment D (Final Proposal), at 12.

reasonably meet the needs of the real-time, thereby compelling the CAISO to use the alternative approach. The CAISO expects, however, that only rare circumstances will require it to resort to the existing approach.

In summary, the CAISO is retaining the existing tariff approach while adding the preferred alternative of using the prior day-ahead market results unless extreme circumstances justify the operational decision to rely on the real-time market. The Commission should find no merit in the Six Cities' arguments, which they were alone in raising.

II. Conclusion

For the foregoing reasons, the Commission should accept the November 23 tariff amendment as filed.

Respectfully submitted,

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Dated: December 21, 2016

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, pursuant to the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, DC this 21st day of December, 2016.

/s/ Bradley R. Miliauskas
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