

February 4, 2016

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

**Re: Notice of Errata**

**California Independent System Operator Corporation –  
Petition for Limited Waiver to Modify Effective Date and Request for Shortened  
Comment Period of the California Independent System Operator Corporation**

**Docket No. ER15-1825-000**

Dear Secretary Bose:

The California Independent System Operator Corporation (“CAISO”) submits this notice of errata to correct an error in its February 4, 2016, filing of a Petition for Limited Waiver in Docket No. ER15-1825. That filing twice referred to three tariff sections that the Commission approved in its October 1 order in this docket that were not addressed by the CAISO waiver request. The first footnote of the document correctly identifies the three sections as sections 40.2.4., 40.10.5.1(a), and 40.10.5.1.1. The bottom of page seven, however, refers to incorrect section numbers. The CAISO has attached a corrected filing hereto that refers to the correct tariff sections and that corrects several other typographical errors, but is otherwise identical to the original filing. The CAISO respectfully reiterates its request of a February 11, 2016, comment date, and an order from the Commission by February 25, 2016.

Respectfully submitted,

**By: /s/ David S. Zlotlow**

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

**California Independent System            )           Docket No. ER15-1825-000  
Operator Corporation                    )**

**ERRATA TO PETITION FOR LIMITED WAIVER TO MODIFY EFFECTIVE  
DATE AND REQUEST FOR SHORTENED COMMENT PERIOD OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“CAISO”) respectfully requests a temporary suspension of the effectiveness, or limited waiver, of a majority of the tariff revisions accepted in the order issued in this proceeding October 1, 2015. In that October 1 order, the Commission conditionally accepted the tariff amendments necessary for the CAISO to implement phase 1A of the reliability services initiative. The majority of provisions governed by that order have a March 1, 2016, effective date, with three sections already in effect at this time.<sup>1</sup>

The CAISO has determined that it cannot timely enact the provisions with a March 1 effective date because of implementation challenges. Therefore, the CAISO requests that the Commission grant the CAISO a limited tariff waiver to suspend the effectiveness of the modifications with a March 1, 2016, effective date until April 1, 2016.<sup>2</sup>

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<sup>1</sup> Sections 40.2.4, 40.10.5.1(a), and 40.10.5.1.1 became effective on January 10, 2016, and are not covered by this petition for limited waiver.

<sup>2</sup> In a separate filing made under Section 2015 of the Federal Power Act, the CAISO simultaneously requests a corresponding delay in implementation of the capacity procurement mechanism replacement, which was previously approved in Commission Docket No. ER15-1783.

Because of the limited amount of time before the current effective date of March 1, 2016 the CAISO respectfully requests that the Commission provide for a shortened comment period of no more than 7 calendar days from the date of the filing, *i.e.*, no later than February 11, 2016, and that the Commission issue an order on this request by February 25, 2016.

**I. BACKGROUND**

**A. Reliability Services Phase 1A Tariff Filing**

On May 29, 2015, the CAISO filed proposed tariff modifications to implement phase1A of the CAISO's two-phase reliability services initiative. Phase 1A focused on enhancing and streamlining the CAISO's rules and processes regarding resource adequacy to meet the needs of an increasingly dynamic power grid. The major components of the filing included proposed tariff provisions to: (1) enhance the existing tariff criteria for determining default qualifying capacity values of specified types of resource adequacy resources; (2) enhance the existing tariff provisions regarding the must-offer obligations of specified types of resource adequacy resources; (3) include a methodology for allocating flexible capacity need to a load-following metered subsystem that is a load-serving entity under the resource adequacy program; and (4) add to the tariff a new resource adequacy availability incentive mechanism ("RAAIM") that will replace the existing standard capacity product mechanism.

**B. Capacity Procurement Mechanism Replacement Tariff Filing**

On May 26, 2015, in Commission Docket No. ER15-1783, the CAISO filed proposed tariff amendments, and an offer of settlement in support of such tariff

amendments, to implement a replacement for its expiring capacity procurement mechanism (CPM) tariff authority. The existing CPM, which was the product of an earlier Commission-approved settlement, would have expired on February 16, 2016. The proposed tariff amendments would ensure that the CAISO will have the ability to procure backstop capacity to meet reliability needs upon expiration of the current CPM. The CAISO proposed to replace the existing process, whereby the CAISO pays all designated backstop capacity a single administratively-determined price, with a competitive solicitation process, whereby the CAISO would pay resources as bid into the competitive solicitation. Offers to the competitive solicitation process would be subject to a soft offer cap, although resources would be able to cost-justify higher price to the Commission.

### **C. Requested Effective Dates of Reliability Services Phase 1A and Capacity procurement Mechanism Replacement**

The May 26 CPM filing and the May 29 reliability services filing are conceptually related because they both address capacity procurement policies needed to meet CAISO grid reliability. The most concrete example is that the RAAIM penalty price would be set as a fixed percentage of the CPM soft offer cap. Additionally, implementation of both initiatives requires significant enhancements to many of the same CAISO computer systems related to resource adequacy. Because of the degree of interrelationship, the CAISO concluded that both initiatives should be implemented simultaneously.

As noted, the prior CPM tariff authority would have expired on February 16, 2016. However, the resource adequacy process occurs on a monthly basis and it is generally quite difficult to implement changes to resource adequacy tariff

provisions mid-month. For that reason, it would have been difficult to implement phase 1A of the reliability services initiative on the date that the CPM authority otherwise would have expired. The CAISO, along with its stakeholders, concluded that the best solution was to implement both initiatives on March 1, 2016, and request a modest extension of the existing CPM authority to cover the February 16 through March 1 period.

Working backwards from a March 1 implementation date, the CAISO requested a range of effective dates for the tariff provisions in the reliability services and CPM tariff filings. The CPM revisions largely pertained to procedures that the CAISO would conduct in advance of a given resource adequacy month. To eliminate any ambiguity about the CAISO's authority to conduct such activities prior to March 1 (when any designations granted as a result of those procedures would become effective) the CAISO requested an effective date of January 16, 2016 for most of the tariff provisions addressed in the CPM tariff filing.

In contrast, for nearly all of the reliability services initiative tariff provisions, the CAISO only needed to request an effective date of March 1, 2016. Several of the provisions in the reliability services initiative pertaining to metered subsystems went into effect on January 10, 2016, and are not addressed through this filing.

Regardless of specific requested effective date, all of the provisions covered in the two tariff filings were submitted for the Commission's consideration more than 120 days in advance of the effective date and thus the

CAISO requested waiver of Section 35.3 of the Commission's regulations. This was to provide as much advance certainty as feasible to market participants about resource adequacy procurement heading into the 2016 summer peak months. Additionally, the CAISO was fully aware that implementing these two initiatives simultaneously would require substantial systems and process changes. The CAISO knew that it would need adequate time to design, develop, implement, and test these systems and processes. Further, the CAISO recognized that its market participants would also need time to adapt to the new systems and the new capacity procurement paradigms that they represented.

#### **D. Commission Approval of Reliability Services Phase 1A and Capacity Procurement Mechanism Replacement**

On October 1, 2015, the Commission issued an order conditionally accepting the CAISO's May 29, filing subject to an additional compliance filing.<sup>3</sup> The CAISO made that compliance filing in this docket on November 2, 2015, and awaits further Commission action on that filing. On that same day the Commission also issued an order accepting the CAISO's May 26 CPM filing.<sup>4</sup>

## **II. Need for Tariff Waiver to Suspend Effective Date**

The CAISO was aware from the outset that implementing these two initiatives would be challenging, stating in the May 29, filing:

Implementation of the significant number of revised resource adequacy and outage requirements proposed herein will require substantial systems and process changes. The CAISO and market participants need

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<sup>3</sup> *California Indep. Sys. Operator Corp.* 153 FERC ¶ 61,002 (2015) ("October 1 Order"). On October 30, 2015, the NRG Companies filed a request for rehearing on a single issue approved in the October 1 order. The CAISO filed an answer to that request on November 16, 2015. The Commission has yet to issue a dispositive ruling on the rehearing request.

<sup>4</sup> *California Indep. Sys. Operator Corp.* 153 FERC ¶ 61,001 (2015).

adequate time to design, develop, implement, and test these systems and processes.<sup>5</sup>

Recognizing the challenges that lay ahead, the CAISO began planning for implementation long before the Commission even approved the tariff provisions. For example, the CAISO posted a business requirements specification document for stakeholders on March 31, 2016, which was before the tariff filing even was made with the Commission. The CAISO's implementation efforts accelerated upon issuance of the Commission's October 1 order. An important element of the CAISO's standard pre-release planning is to hold market simulations prior to major market enhancements. The simulations provide participants an opportunity to explore new market functionalities, test how well market participant systems have integrated with CAISO systems, and provide feedback to the CAISO about how the functionalities performed in a simulated environment. Market simulation is also an important step to help reduce the number of settlement disputes that otherwise would occur upon implementation of market enhancements.

The first session of market simulation for both the CPM and reliability services phase 1A initiatives began on October 21, 2015. The second session of market simulation for both initiatives initially was planned to start on January 12, 2016. The session was planned to last for three weeks and cover three separate structured simulation scenarios. In early January, however the CAISO concluded that it had not met its internal quality metrics for moving a new market function to

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<sup>5</sup> May 29 filing, at 87.

market simulation. Specifically, the software code failed to pass the applicable standards. Meeting these metrics helps ensure that CAISO provides participants with a robust simulation environment against which to test and minimize the likelihood that market participants serve as de facto testers of the CAISO software. In the case of the market simulation session that the CAISO planned to start on January 12, the outstanding software defects would have prevented participants from successfully running any of the three structured scenarios.

The CAISO briefly explored postponing the market simulation by one week to preserve the March 1 implementation date but concluded that doing so would increase the risk of an unsuccessful deployment by unduly compressing the simulation. As discussed, the CPM and reliability services phase 1A initiatives need to be implemented on the first day of a month. Because the March 1 date is no longer viable, the next viable date is April 1. This additional month will give the CAISO the time necessary to resolve any identified defects and retest to ensure pre-production quality metrics are met. This in turn will allow the CAISO to deliver a quality product to production and do its best to avoid the type of problems that lead to settlement disputes.

### **III Petition for Limited Waiver**

Good cause exists for the Commission to grant a limited waiver to suspend the effectiveness until April 1, 2016, of the tariff revisions that were accepted in the October 1 order and that have an effective date of March 1, 2016. This includes all tariff sections addressed in the October 1 order except for Sections 40.2.4, 40.10.5.1(a), 40.10.5.1.1.



The Commission previously has granted requests for tariff waivers in situations where (1) the waiver is of limited scope; (2) a concrete problem needs to be remedied; and (3) the waiver did not have undesirable consequences, such as harming third parties. This waiver petition meets all three conditions.

The waiver is of limited scope in that it will apply for 31 days, from March 1, 2016 until March 31, 2016. The waiver will also remedy the concrete problem that the CAISO will not be able to implement the tariff provisions in question effectively on March 1, 2016, because of the need for additional testing and time to address any software variances highlighted through that testing. Additionally, given the delays to date in the market simulation procedures, the CAISO does not believe that market participants necessarily would be prepared to begin operations under the procedures on March 1 either. Further, the waiver will not have undesirable consequences, because granting this waiver merely would maintain the status quo for a relatively brief period of time while the CAISO and its market participants undertake the necessary rounds of market simulation and other final pre-implementation steps. Therefore, good cause exists to grant the CAISO's request for limited waiver of the current effective date of March 1 for the tariff revisions covered by this request.

#### **IV Request for Shortened Comment Period**

Because of the limited amount of time before the current effective date of March 1, 2016, the CAISO respectfully requests that the Commission provide for a shortened comment period regarding this petition for limited tariff waiver of no more than 7 calendar days from the date of this filing, *i.e.*, no later than February

11, 2016.

**V. Conclusion**

For the foregoing reasons, the Commission should find that good cause exists to grant a limited waiver to suspend the effectiveness of the tariff revisions, accepted in the proceeding, other than those revised tariff provisions that are already in effect as of today's date, until April 1, 2016, and to grant a shortened comment period of no more than 7 calendar days from the date of this filing.

Respectfully submitted,

**By: /s/ David S. Zlotlow**

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Date: February 4, 2016

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service lists for the above-referenced proceedings, under the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom this 4<sup>th</sup> day of February 2016.

*/s/ Anna Pascuzzo*  
Anna Pascuzzo