

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

**California Independent System
Operator Corporation**

Docket No. ER17-____-000

**PETITION FOR LIMITED TARIFF WAIVER 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 section 40.9.1 of the CAISO tariff to extend until April 1, 2017, the existing two-month advisory period for charges and payments under the Resource Adequacy Availability Incentive Mechanism (RAAIM).¹ Alternatively, the CAISO requests a waiver of section 40.9.6 of the CAISO tariff to forego assessing any RAAIM charges that otherwise would accrue for the months of January, February, and March 2017. If the Commission grants this waiver request, financially binding RAAIM assessments would begin with the April 2017 monthly settlement statement.

Section 40.9.1 of the CAISO tariff provides that “for an advisory period of the two calendar months following the effective date of RAAIM, the CAISO will calculate and publish the Availability Incentive Payments and Non-Availability Charge on Settlements but will not include those payments and charges on

¹ The CAISO submits this petition for waiver pursuant to Rule 207 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.207. Capitalized terms not otherwise defined herein have the meanings set forth in the CAISO tariff.

invoices for financial settlement.” RAAIM became effective November 1, 2016. During the two-month advisory period, the CAISO and market participants identified several issues with CAISO processes and systems that caused the CAISO to calculate RAAIM incorrectly. The CAISO has either addressed those issues or will address them shortly. Market Participants, however, have not yet had the opportunity to review updated advisory settlement statements. Extending the advisory period will permit market participants to review corrected statements before binding RAAIM assessments begin, thus permitting a more informed and equitable transition to RAAIM.

The CAISO respectfully requests that the Commission provide for a shortened comment period of no more than seven calendar days from the date of the filing and issue an order on this request by February 8, 2017. February 8 is the date when the first RAAIM charges and payments would be invoiced in the ordinary course of business in the absence of a waiver.

I. Background on Reliability Services Phase 1A and Resource Adequacy Availability Incentive Mechanism Advisory Period

On November 1, 2016, the CAISO implemented phase 1A of its reliability services initiative.² 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. A major component of phase 1A was the

² On May 29, 2015, the CAISO filed proposed tariff modifications to implement phase 1A. *California Indep. Sys. Operator Corp.*, Transmittal Letter, FERC Docket No. ER15-1825-000 (May 29, 2015) (RSI 1A Transmittal Letter). On October 1, 2015, the Commission issued an order conditionally accepting those amendments. *California Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,002 (2015) (October 2015 RSI order). After several implementation delays, phase 1A went into effect on November 1, 2016.

RAAIM. RAAIM replaced the standard capacity product (SCP), which was the existing mechanism used to assess the performance of resources providing resource adequacy capacity. Under both the SCP and RAAIM mechanisms, resource adequacy capacity is eligible for potential incentive payments or may face charges based on its performance over a month.

The major change between SCP and RAAIM is that SCP evaluated performance based on whether the unit providing resource adequacy capacity was on forced outage; whereas, RAAIM evaluates performance based on whether the unit providing capacity meets its must-offer obligations to bid into the CAISO markets. To facilitate the significant transition from an outage-based to a bid-based assessment, section 40.9.1 of the CAISO tariff provides an “advisory period of two calendar months following the effective date of RAAIM” during which “the CAISO will calculate and publish the Availability Incentive Payments and Non-Availability Charges on Settlement Statements but will not include those payments and charges on Invoices for financial settlement.” Accordingly, during the advisory period RAAIM is active in the CAISO settlements system and the corresponding payments and charges are reflected on market participant settlement statements under the standard CAISO settlements timeline. What makes the advisory period “advisory” is that the payments and charges associated with RAAIM are blocked from passing to market participant invoices. The CAISO explained in its tariff filing that this advisory period was necessary to “give market participants and the CAISO an opportunity to become familiar with

the operation of the RAAIM and transition from the outage-based standard capacity product to the bid-based RAAIM.”³

In the stakeholder process preceding the CAISO’s filing with the Commission, the CAISO proposed a three-month advisory period in its draft final proposal document, issued January 22, 2015.⁴ In an addendum issued approximately a month later, on February 27, 2015, the CAISO shortened the proposed advisory period by a month.⁵ Although the CAISO explained that this was appropriate “to limit the gap in availability assessment” it nevertheless found that two months would “still allow time for market participants and the [CA]ISO to make any final adjustments needed to accommodate the new mechanism.”⁶

II. Issues Identified During Advisory Period and Need for Extension

During the two-month advisory period the CAISO and market participants identified several issues with CAISO processes and systems that were causing the CAISO to calculate the advisory RAAIM charges and payments incorrectly. Towards the end of December 2016, the CAISO was confronted with the question of whether it was prudent and appropriate to move forward on schedule with assessing binding RAAIM charges and payments. The CAISO answered that question by considering the nature of RAAIM. It is meant to: (1) assess the performance of units providing resource adequacy capacity; and (2) establish

³ RSI 1a Transmittal Letter at 73.

⁴ The Draft Final Proposal is available at <http://www.caiso.com/Documents/DraftFinalProposal-ReliabilityServices.pdf>.

⁵ Draft Final Proposal Addendum is available at <http://www.caiso.com/Documents/DraftFinalProposalAddendum-ReliabilityServices.pdf>.

⁶ Draft Final Proposal Addendum, at 4.

incentives for their performance. By late December the CAISO had resolved most of the identified process and system issues, with the remainder set for resolution in January. With the issues resolved before production of the first January monthly settlement statement, the CAISO had no reason to question that the former purpose would be met by proceeding on schedule. The CAISO, however, had concerns that the latter purpose of creating clear incentives would be met if the advisory period lasted only two months. Accordingly, on December 30, 2016, the CAISO issued a market notice informing market participants of its intention to pursue a waiver with the Commission to extend the RAIM advisory period.⁷

The CAISO concluded that the advisory period needed to be extended so that RAIM charges and payments would reflect unit performance that was based on full understanding of the RAIM rules. Calculating RAIM is complex. The concept of an advisory period for RAIM recognizes that no form of off-line market simulation could fully capture that complexity. The advisory period provides market participants an opportunity to bid their resource adequacy capacity into the CAISO markets while not facing binding RAIM settlements so that they have an opportunity to receive feedback, through the advisory statements, of how that bidding impacted RAIM.⁸ Because the advisory statements produced to date have reflected incorrect RAIM calculations, market

⁷ The market notice is available at the following link:
<https://www.caiso.com/Documents/ResourceAdequacyAvailabilityIncentiveMechanismRAAIMAdvisoryPeriodExtension.html>.

⁸ The CAISO refers here to “advisory statements” as the settlement statements that reflect RAIM charges and payments that will not be passed to a CAISO invoice.

participants have not yet had an opportunity to review and evaluate advisory statements that reflect the actual RAIM calculations. Further, the CAISO does not have a ready means of providing market wide “unofficial” or “offline” settlement statements outside of the regular course of the settlements timeline. Experience in November and December thus has belied the CAISO’s earlier conclusion in its final policy paper that a RAIM advisory period of only two months would provide sufficient time “to make any final adjustments needed to accommodate the new mechanism.”

The CAISO expects that market participants will have an opportunity to review corrected November RAIM statements by February 21, 2017, when the T+55B November monthly settlement statement publishes and December RAIM statements by March 22, 2017, when the T+55B December monthly settlement statement publishes.⁹ An extension of the advisory period through April 1, 2017, would provide market participants a full and informed opportunity to transition to RAIM because April 2017 is the first month for which market participants will have had the opportunity to review the November 2016 and December 2016 corrected advisory RAIM statements prior to facing binding RAIM charges.¹⁰

III. Petition for Waiver

Good cause exists for the Commission to grant a limited waiver to suspend until February 1, 2017, the effectiveness of section 40.9.1, or

⁹ The CAISO settlements calendar is available at: <https://www.caiso.com/market/Pages/Settlements/Default.aspx>.

¹⁰ As indicated in the December 30 market notice, the CAISO initially intended to request only a one-month extension of the advisory period but now has concluded that a three-month extension – until April 1, 2017 – would be more appropriate.

alternatively, section 40.9.6, of the CAISO tariff to allow the RAAIM advisory period to last for five months, rather than two.

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.¹¹ This waiver petition meets all three conditions.

The waiver is of limited scope in that it will apply for only three months, until *April 1, 2017*, and the CAISO does not intend to extend the advisory period any further. The waiver also will remedy a concrete problem – the RAAIM settlements for the first quarter of 2017 will reflect capacity performance that occurred without a complete and correct understanding of the RAAIM settlements. Further, the waiver will not have undesirable consequences because granting the waiver merely will maintain the status quo for a brief period of time while the CAISO and its market participants finalize and ensure a seamless transition to RAAIM. Rather, this waiver will avoid undesirable consequences by ensuring that the transition to binding RAAIM charges and payments occurs once RAAIM *both* assesses capacity performance *and* establishes well-understood incentives and consequences for that performance. Therefore, good cause exists to grant the CAISO's request for limited waiver.

¹¹ See, e.g., *N.Y. Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,061, P 19 (2014); *PJM Interconnection, L.L.C.*, 146 FERC ¶ 61,041, P 5 (2014); *ISO New England, Inc.*, 134 FERC ¶ 61,182, P 8 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,004, P 10 (2010).

IV. Request for Shortened Comment Period and Expedited Order

RAAIM is a monthly charge and absent this waiver, January 2017 would be the first month for which binding RAAIM charges and payments would apply. The January 2017 T+3B monthly settlement statement is scheduled for publication on February 3, 2017 and will reflect RAAIM irrespective of whether the settlements are advisory or binding. The invoice corresponding to the January 2017 T+3B statement is scheduled for issuance on February 8, 2017. The February 8 invoice date is thus essentially when the two-month advisory period would expire.

Because of the limited amount of time before that date, the CAISO respectfully requests that the Commission provide for a shortened comment period of no more than seven calendar days from the date of the filing and that the Commission issue an order on this requested waiver by February 8, 2017.

V. Conclusion

For the foregoing reasons, the Commission should find that good cause exists to grant a limited waiver to extend the two-month RAIM advisory period until April 1, 2017.

Respectfully submitted,

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