

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

**California Independent System) Docket No. ER17-415-002
Operator Corporation)**

**PETITION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION FOR LIMITED TARIFF WAIVER
TO POSTPONE EFFECTIVE DATE UNTIL NO LATER THAN MAY 31, 2017**

The California Independent System Operator Corporation (CAISO) respectfully requests a temporary suspension of the effectiveness, or limited waiver, until no later than May 31, 2017 of certain tariff revisions accepted in the order issued in this proceeding on January 30, 2017.¹

In the January 30 Order, the Commission accepted the CAISO's proposed revisions to its tariff to implement the administrative pricing policy and to clarify and update the tariff provisions that apply to emergency operations, to become effective February 1, 2017. The CAISO subsequently filed a petition for limited tariff waiver to modify the effective date of the above-listed tariff revisions from February 1 to April 1, 2017; the Commission granted that petition on March 24, 2017.² The CAISO has recently determined that it cannot meet the requested April 1 effective date, because the software changes needed to implement the tariff revisions must be included with other software changes that will not be

¹ *Cal. Indep. Sys. Operator Corp.*, 158 FERC ¶ 61,085 (2017) (January 30 Order). Specifically, the CAISO requests limited waiver of the revisions to sections 7.7.1 through 7.7.9, 7.7.11 through 7.7.15, 16.3, and 29.7(j)(2)(D), and the definition in appendix A to the tariff of the term "Administrative Price." The CAISO submits this petition for limited waiver pursuant to Rule 207 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.207.

² *Cal. Indep. Sys. Operator Corp.* 158 FERC ¶ 62,228 (2017) (March 24 Order).

ready for implementation by April 1. The CAISO anticipates that the other software changes will be ready by no later than May 31, 2017.

Good cause exists for the Commission to find that this petition satisfies its waiver criteria. The CAISO has acted in good faith because it only recently learned it could not implement the tariff revisions on April 1. The waiver is of limited scope in that it will apply for only two months. The waiver will also remedy the concrete problem that the CAISO cannot implement the tariff revisions on April 1 due to the need to change the software development schedule. Further, the waiver will not have undesirable consequences, because it will maintain the status quo of the administrative pricing provisions in the existing tariff language.

For these reasons, the Commission should grant the petition and postpone the effectiveness of the administrative pricing provisions specified herein until no later than May 31, 2017.

I. Background

Under the CAISO tariff language currently in effect, the CAISO manages system emergencies and other abnormal system conditions affecting the markets it operates pursuant to section 7.7 of the CAISO tariff. Existing tariff section 7.7 sets forth a process under which the CAISO may intervene in the operation of any of the CAISO markets to apply an administrative price if the CAISO determines that such intervention is necessary to prevent, contain, or correct a system emergency. In addition, CAISO tariff section 14.1 sets forth provisions regarding uncontrollable force.

The CAISO, in the tariff amendment it filed in this proceeding on November 23, 2016, proposed to revise section 7.7 concerning application of administrative prices when market prices are unavailable for any reason. The CAISO explained that the proposed changes would provide greater transparency and more appropriate pricing logic depending on the interval and how many intervals are missing, and whether the day-ahead market or the real-time market is involved. The CAISO also proposed to reorganize, streamline, and clarify section 7.7 and other tariff sections to improve the readability and logical flow of the emergency tariff revisions. Lastly, the CAISO proposed to revise section 14.1, consistent with guidance provided in a prior Commission order, to clarify that in the event of an uncontrollable force, a market participant is not held harmless from the financial consequences of binding market results. The CAISO requested that the Commission make all of the proposed tariff revisions effective as of February 1, 2017. In the January 30 Order, the Commission accepted these tariff modifications, to become effective February 1 as requested by the CAISO.³

On January 31, 2017, the CAISO filed a petition for limited tariff waiver to modify the effective date of the revisions to sections 7.7.1 through 7.7.9, 7.7.11 through 7.7.13, 7.7.15, 16.3, and 29.7(j)(2)(D), and the definition in appendix A to the tariff of the term “Administrative Price,” from February 1 to April 1, 2017. The Commission granted that petition on March 24, 2017.⁴

³ January 30 Order at PP 1, 26.

⁴ March 24 Order.

II. Need for Tariff Waiver to Postpone Effective Date until No Later than May 31, 2017

The CAISO recently determined that it could not implement the tariff revisions regarding Administrative Pricing on April 1, 2017. The development and functional testing for the software needed to implement the tariff revisions has been progressing according to schedule. That software, however, is built on top of a newly developed Pricing Correction Application (PCA).⁵ The PCA software, which is a vendor-supported application, is part of an internal CAISO process focused on reducing the complexity and manual effort involved in the price correction process. The PCA will automate and consolidate needed price corrections tasks in one application that is separate from the normal processing of market results.

The PCA application, unfortunately, has experienced schedule delays that have in turn affected activation of Administrative Pricing. Specifically, CAISO systems rely on Locational Marginal Prices (LMP) for settlement. The LMP data must be present for every market interval of the day and are normally provided by the CAISO market systems. In the event of a failure of the CAISO markets, the PCA application provides the LMP data used to fill in those gaps. This functionality was part of a post-process system with many tedious and time-consuming manual processes. However the Administrative Pricing project created more complicated rules for deriving the LMPs and the CAISO concluded

⁵ The software changes used to automate the price correction processes are not associated with any tariff revisions.

that it was a better approach to process these rules in a vendor-supported application to speed up the price correction process and eliminate the majority of manual efforts required.

For these reasons, the CAISO requests limited waiver of the effective date of the above-listed tariff revisions until no later than May 31.⁶

III. Petition for Limited Tariff Waiver

Good cause exists for the Commission to grant a limited waiver to suspend the effectiveness of the above-listed tariff revisions until no later than May 31, 2017. The Commission has previously granted requests for tariff waivers in situations where (1) the applicant acted in good faith; (2) the waiver was of limited scope; (3) the waiver addressed a concrete problem; and (4) the waiver did not have undesirable consequences, such as harming third parties.⁷ This waiver petition meets all four conditions.

The CAISO has acted in good faith because it only recently became aware that it is unable to implement the tariff revisions on the requested April 1, 2017 effective date. The waiver is of limited scope in that it will extend the implementation date by only two months, from April 1 until no later than May 31, 2017. The waiver will also remedy the concrete problem that the CAISO cannot implement the tariff revisions on April 1, due to the need to include the software changes required to implement the tariff revisions with other software changes

⁶ Earlier on the day that the CAISO filed this petition, it also issued a market notice announcing that it would make the filing and postpone the effective date of the tariff revisions until no later than May 31 for the same reasons explained in the petition.

⁷ See, e.g., *Cal. Indep. Sys. Operator Corp.*, 158 FERC ¶ 61,072, at P 5 (2017); *N.Y. Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,061, at P 19 (2014); *PJM Interconnection, L.L.C.*, 146 FERC ¶ 61,041, at P 5 (2014); *ISO New England, Inc.*, 134 FERC ¶ 61,182, at P 8 (2011).

that will not be ready for implementation by April 1. The Commission has previously recognized that it is reasonable to postpone the effectiveness of tariff revisions where, as is the case in this proceeding, it is infeasible to implement the tariff revisions on their intended effective date because the necessary software cannot feasibly be deployed until a later date.⁸ Further, the waiver will not have undesirable consequences because the CAISO can continue to operate with the current administrative pricing rules.

For these reasons, good cause exists to grant the CAISO's request for limited waiver until no later than May 31, 2017 for the tariff revisions listed above.⁹

⁸ See, e.g., *Cal. Indep. Sys. Operator Corp.*, 158 FERC ¶ 61,072, at P 5 (2017); *Cal. Indep. Sys. Operator Corp.*, 141 FERC ¶ 61,184, at P 10 (2012).

⁹ Pursuant to this filing, the CAISO plans to refrain from implementing the tariff revisions on February 1. The Commission has previously granted requests for limited tariff waiver applicable to dates prior to the date of the Commission's order. See, e.g., *Cal. Indep. Sys. Operator Corp.*, 156 FERC ¶ 61,093, at P 4 (2016); *N.Y. Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,061, at P 1; *Waterbury Generation LLC*, 120 FERC ¶ 61,007, at PP 1, 3 (2007).

IV. 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 regarding the administrative pricing policy accepted in the January 30 Order and specified in this petition, until no later than May 31, 2017.

Respectfully submitted,

Roger E. Collanton
General Counsel
Sidney L. Mannheim
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7222
E-mail: smannheim@caiso.com

Michael E. Ward
Bradley R. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
Tel: (202) 239-3300
Fax: (202) 654-4875
E-mail: michael.ward@alston.com
bradley.miliauskas@alston.com

Counsel for the California Independent System Operator Corporation

Dated: March 24, 2017

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed in the official service list for the above-referenced proceeding, 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, CA this 24th day of March, 2017.

/s/ Grace Clark
Grace Clark