

155 FERC ¶ 61,215
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

May 31, 2016

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER16-897-004

California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Attn: David S. Zlotlow

Reference: Petition for Limited Waiver of Tariff Provisions

Dear Mr. Zlotlow:

1. On May 17, 2016, the California Independent System Operator Corporation (CAISO) filed a request for temporary suspension, or limited waiver, of the effectiveness of certain tariff provisions related to the expiration of its currently effective capacity procurement mechanism (CPM) (i.e., tariff sections 43.1 and 43A) and the implementation of its replacement CPM (i.e., tariff sections 34.11, 39.10.3, 39.10.4, and 40.4.6.2) until November 1, 2016.¹ Absent CAISO's request for temporary suspension or limited waiver, the tariff provisions implementing the new CPM would become effective June 1, 2016. As discussed below, we grant CAISO's petition for limited waiver of certain tariff sections until November 1, 2016, and direct CAISO to submit a further compliance filing within 15 days of this order, as discussed further below.

¹ *Cal. Indep. Sys. Operator Corp.*, 155 FERC ¶ 61,117 (2016) (April 2016 Order); *Cal. Indep. Sys. Operator Corp.*, 154 FERC ¶ 61,132 (2016) (February 2016 Order).

2. The procedural history concerning the implementation of CAISO's replacement CPM has been discussed in previous orders.² Thus, only the relevant information will be discussed here.

3. Previously, on April 20, 2016, CAISO filed a request for temporary suspension, or limited waiver, of the same CPM tariff sections listed above that would otherwise become effective May 1, 2016, until June 1, 2016. In support of its request, CAISO stated that it continued to experience challenges related to the internal testing and market simulations that rendered the planned May 1, 2016 implementation date infeasible.³ While CAISO requested a one-month extension, CAISO noted that the feasibility of its requested June 1, 2016 implementation date would depend on it meeting several milestones related to internal testing and market simulations scheduled to close on May 6, 2016. If it did not complete those milestones, CAISO asserted that it would then request additional relief to allow a further implementation delay until November 1, 2016.⁴

4. On April 29, 2016, the Commission granted CAISO's petition for limited waiver to extend the implementation date of its new CPM from May 1, 2016, until June 1, 2016. In granting CAISO's petition, the Commission strongly encouraged CAISO to inform its stakeholders and the Commission regarding the feasibility of the June 1, 2016 implementation date as soon as possible.⁵ In addition, to effectuate the revised CPM implementation date, the Commission directed CAISO to submit a compliance filing to revise the effective dates of and certain language within the tariff sections listed above to reflect the new implementation date within 15 days.⁶

5. In its instant petition, CAISO states that the June 1, 2016 implementation date is no longer feasible and requests a five-month extension for its replacement CPM until November 1, 2016.⁷ CAISO asserts that it encountered software variances prior to its

² See April 2016 Order, 155 FERC ¶ 61,117 at PP 2-3; see also February 2016 Order, 154 FERC ¶ 61,132 at PP 2-3.

³ April 2016 Order, 155 FERC ¶ 61,117 at P 5.

⁴ *Id.* P 6.

⁵ *Id.* P 13.

⁶ *Id.* P 14.

⁷ CAISO also filed, on May 17, 2016 in Docket No. ER15-1825-006, a petition for waiver to similarly delay the effective date of its Reliability Services Initiative to November 1, 2016. In a concurrently issued order, the Commission grants that petition.

third-week market simulations that prevented it from running those simulations effectively.⁸ Therefore, CAISO states that it seeks an additional delay of five months to address the identified variances and complete the market simulation required to effectively deploy the new CPM.

6. CAISO argues that its petition satisfies the Commission's criteria for granting waiver of tariff provisions.⁹ First, CAISO contends that its request for waiver is of limited scope because it will apply until November 1, 2016. Second, CAISO states that its request for waiver will remedy a concrete problem because additional time is needed for testing and addressing any software variances highlighted during testing that render the current June 1, 2016 implementation date infeasible. Third, CAISO argues that its request for waiver will not have undesirable consequences because it will maintain the status quo for a relatively brief period while CAISO and its market participants conduct additional market simulations and other pre-implementation steps. CAISO adds that its request for waiver will avoid undesirable consequences by ensuring that the CPM is production-worthy and accounts for important reliability concerns. For these reasons, CAISO asserts that good cause exists for the Commission to grant its request for waiver of the tariff provisions listed above until November 1, 2016.¹⁰

7. Notice of CAISO's April 20 Filing was published in the *Federal Register*, 81 Fed. Reg. 32,744 (2016), with protests and interventions due on or before May 18, 2016. None were filed.

8. The Commission has granted waiver of tariff provisions where: (1) the applicant acted in good faith; (2) the waiver is of limited scope; (3) the waiver addresses a concrete problem; and (4) the waiver does not have undesirable consequences, such as harming third parties.¹¹ We find that CAISO's Petition for waiver to delay the effective date of its new CPM tariff provisions to November 1, 2016 satisfies the foregoing criteria. We find that CAISO's requested waiver satisfies the foregoing criteria. First, based on CAISO's representations, we find that CAISO has acted in good faith in its efforts to ensure that software implementation issues are resolved before the new CPM tariff provisions go into effect. Second, we find that CAISO's request is limited in scope because it will apply for

⁸ Petition at 5-6.

⁹ *Id.* at 7.

¹⁰ *Id.* at 8.

¹¹ See, e.g., *Midcontinent Indep. Sys. Operator, Inc.*, 154 FERC ¶ 61,059, at P 14 (2016); *Calpine Energy Serv., LP*, 154 FERC ¶ 61,082, at P 12 (2016); *New York Power Auth.*, 152 FERC ¶ 61,058, at P 22 (2015).

five months and retains the status quo during that limited period. Third, we find that extending the implementation of the new CPM addresses the concrete problem that CAISO cannot effectively implement the new CPM by June 1, 2016, due to ongoing software testing and implementation challenges. Fourth, we find that CAISO's request for waiver will prevent undesirable consequences by ensuring that CAISO has sufficient time to conduct market simulations and ensure that the new CPM market functionality adequately responds to reliability needs.

9. To effectuate the new CPM implementation date, we direct CAISO submit a further compliance filing within 15 days of the date of this order to revise its tariff as follows: (1) revise the effective date of tariff sections 34.11, 39.10.3, 39.10.4, and 40.4.6.2 to reflect November 1, 2016; (2) revise the language of tariff sections 43.1 and 43A to reflect the new November 1, 2016 implementation date; and (3) revise the effective date of tariff sections 43.1 and 43A to reflect October 25, 2016, which represents a five-month shift from April 25, 2016.¹²

By direction of the Commission

Kimberly D. Bose,
Secretary.

¹² We note that CAISO's compliance filing in response to the April 2016 Order is currently pending before the Commission, and CAISO may want to consider withdrawing that filing in light of the Commission's action here.