FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

OFFICE OF ENERGY MARKET REGULATION

California Independent System
Operator Corporation
Docket No. ER15-15-000

November 6, 2014

Alston & Bird LLP
The Atlantic Building
950 F Street NW
Washington, DC 20004

Attention: Bradley Miliauskas
Counsel for California Independent System Operator Corporation

Reference: Deficiency Letter

Dear Mr. Miliauskas:

On October 1, 2014, the California Independent System Operator Corporation (CAISO) filed proposed revisions to the provisions in the CAISO tariff regarding recovery of start-up and minimum load. Specifically, CAISO proposes tariff revisions that: (1) increase the existing proxy cost bid cap from 100 percent of the resource's calculated proxy cost to 125 percent; (2) require CAISO to exclusively use the Intercontinental Exchange (ICE) natural gas price index for calculating the natural gas price component if, on the morning of the day-ahead market run, the price reported by ICE exceeds 125 percent of the natural gas price index calculated under CAISO's tariff; (3) eliminate the registered cost option for all resources except use-limited resources; (4) allow CAISO to switch use-limited resources temporarily from the registered cost option to the proxy cost option whenever the alternative ICE natural gas price is triggered; and (5) make other ministerial changes, such as the correction of typographical errors.

Please be advised that the filing is deficient and that the Commission requires additional information in order to process the filing:

1. Other than Table 1 of the CAISO's Revised Draft Final Proposal, which shows the trade dates when the day-over-day percentage increase in natural gas

prices exceeded 120 percent, did CAISO perform additional analyses when determining the 125 percent cap? If so, please provide copies of any analyses supporting the 125 percent cap. For example, has CAISO examined solely the impact of implementation of the ICE day-ahead natural gas price when the 125 percent natural gas price spike threshold is triggered, rather than the ex post reported gas prices from the other reference indices in the CAISO's tariff, as compared to increasing the proxy price cap, even if the day-ahead gas price spike threshold is not triggered?

2. On page 10 of the transmittal, you state that the 125 percent cap "will provide additional flexibility for scheduling coordinators to account for commitment costs not included in the proxy cost calculation" and "will also account for variations in the standard resource-specific costs that are used in the CAISO's master file, such as the variable operation and maintenance expense, greenhouse gas costs, and natural gas imbalance charges."

a. Please provide a description of the types of commitment costs not included in the proxy cost calculation. Please identify any factors that impact these commitment costs on a daily basis, and describe the manner in which each identified factor impacts these costs.

b. Please describe the standard resource-specific costs that are used in the CAISO's master file.

   i. Are these costs accounted for in the calculation of a resource's proxy cost?

   ii. If so, why is additional flexibility needed to account for these costs if they are already reflected in proxy cost calculation? If not, why are these costs not reflected in the proxy costs?

   iii. What factors contribute to changes in these costs from day to day?

   iv. What is the relationship of these costs to changes in natural gas prices? In particular, why is it appropriate to recover these costs by allowing higher bidding of natural gas prices?

3. At page 12 of the transmittal, you state that CAISO does not currently have a market power mitigation measure for minimum load and start-up costs. Please explain if the implementation of the instant proposal was analyzed by CAISO to determine whether local market power can arise and the resultant impact on market prices under the proposed modifications.

This letter is issued pursuant to 18 C.F.R. § 375.307(a)(1)(v) (2014) and is interlocutory. This letter is not subject to rehearing pursuant to 18 C.F.R. § 385.713 (2014), and a response to this letter must be filed with the Secretary of the Commission within 30 days of the date of this letter by making an amendment filing in accordance with the Commission's electronic tariff requirements.[1]

The information requested in this letter will constitute an amendment to your filing, and a new filing date will be established, pursuant to *Duke Power Company*, 57 FERC ¶ 61,215 (1991), upon receipt of CAISO's electronic tariff filing. A notice of amendment will be issued upon receipt of your response.

Failure to respond to this letter within the time period specified may result in an order rejecting your filing. Pending receipt of the above information, a filing date will not be assigned to your filing.

Sincerely,

Steve P. Rodgers, Director
Division of Electric Power
Regulation – West

cc: Roger E. Collanton
General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630

[1] *Electronic Tariff Filings*, 130 FERC ¶ 61,047, at PP 3-8 (2010) (stating that an amendment filing must include at least one tariff record even though a tariff revision might not otherwise be needed). The response must be filed using Type of Filing Code 180 – Deficiency Filing. If there are no changes to tariff records, CAISO can attach a single tariff record with no changes.

Document Content(s)