

128 FERC ¶ 61,218
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Sudeen G. Kelly, Marc Spitzer,
and Philip D. Moeller.

California Independent System Operator Corporation Docket Nos. ER08-1178-003
EL08-88-004

ORDER ACCEPTING TARIFF REVISIONS, SUBJECT TO MODIFICATION

(Issued September 2, 2009)

1. In this order, we conditionally accept, subject to modification, proposed revisions to the California Independent System Operator's (CAISO) Market Redesign and Technology Upgrade Tariff (MRTU) related to the Exceptional Dispatch mechanism to be effective upon MRTU start-up, which occurred on March 31, 2009.¹

¹ CAISO June 27, 2008 Amendment to Revise Exceptional Dispatch Provisions of the MRTU Tariff in Docket No. ER08-1178-000 (June Proposal). According to the CAISO, Exceptional Dispatch allows the CAISO to manually commit and/or dispatch resources that are not cleared through market software in order to maintain reliable grid operations under unusual and infrequent circumstances. In addition, Exceptional Dispatch enables the CAISO to address other specific situations, including the following, that require dispatch of a resource outside of a market schedule: (1) addressing transmission-related modeling limitations; (2) performing ancillary services testing; (3) performing pre-commercial operations testing for resources; (4) mitigating over-generation; (5) providing voltage support; (6) accommodating Transmission Ownership Rights and Existing Transmission Contract self-schedule changes after the market close of the hour-ahead scheduling process; and (7) reversing a commitment instruction issued through the integrated forward market that is no longer optimal as determined through the residual unit commitment process. Exceptional Dispatch instructions may be issued for forced start-up, forced shut-down, operation at minimum operating level, incremental energy, or decremental energy. *Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,150, at P 6 (2009) (Exceptional Dispatch Order).

I. Background

2. As a part of the MRTU market redesign, the CAISO proposed and the Commission accepted an Exceptional Dispatch mechanism.² On June 27, 2008, the CAISO submitted to the Commission a proposal (June Proposal) to mitigate all forms of Exceptional Dispatch.³ On October 16, 2008,⁴ the Commission accepted and suspended for a nominal period the June Proposal, to become effective upon implementation of the MRTU Tariff, subject to refund and the outcome of an investigation under section 206 of the Federal Power Act (FPA)⁵ into the continued justness and reasonableness of the Exceptional Dispatch mechanism. To that end, the October 16, 2008 Order instituted a section 206 investigation and directed Commission staff to convene a technical conference, which was held on November 6, 2008.

3. In its post technical conference comments,⁶ the CAISO submitted a revised Exceptional Dispatch mitigation proposal, including a new Exceptional Dispatch compensation mechanism, to address the concerns and issues raised at the technical conference (Revised Proposal). On February 20, 2009,⁷ the Commission accepted in part and rejected in part the Revised Proposal and directed the CAISO to submit a compliance filing⁸ within 30 days of the date of the order to implement the specified modifications. As part of the compliance filing, the Commission directed the CAISO to establish a reporting process concerning details of exceptional dispatches. In addition, the Commission directed the CAISO to file a report with the Commission within 120 days of the date of the Exceptional Dispatch Order that details the status of the following: (1) its discussions with stakeholders on the development of a market-based solution for

² *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at P 266-69 (2006) (MRTU Order), *order on reh'g*, 119 FERC ¶ 61,076 (2007), *order on reh'g and denying motion to reopen record*, 120 FERC ¶ 61,271 (2007).

³ See June Proposal.

⁴ *Cal. Indep. Sys. Operator Corp.*, 125 FERC ¶ 61,055 (2008) (October 16, 2008 Order).

⁵ 16 U.S.C. § 824e (2006).

⁶ CAISO November 24, 2008 Comments in Docket Nos. ER08-1178-000 and EL08-88-000 (Revised Proposal).

⁷ Exceptional Dispatch Order, 126 FERC ¶ 61,150.

⁸ CAISO March 23, 2009 Compliance Filing in Docket Nos. ER08-1178-003 and EL08-88-004 (CAISO Compliance Filing).

managing Path 26 contingencies; (2) the outcome of the voltage support stakeholder process; and (3) its discussions with California Department of Water Resources State Water Project (SWP) on the Exceptional Dispatch procedures concerning participating load.

4. On March 23, 2009, the CAISO made the compliance filing addressed in this order. Subsequently, on June 22, 2009, the CAISO submitted its status report on the stakeholder processes and its discussions with SWP.⁹ In addition, the CAISO has submitted four Exceptional Dispatch Informational Reports, covering the periods from April 1, 2009 through April 15, 2009; April 16, 2009 through May 15, 2009; May 16, 2009 through June 15, 2009; and June 16, 2009 through July 15, 2009, discussed herein.¹⁰

II. Notice, Intervention, and Responsive Pleadings

5. Notice of the Compliance Filing was published in the *Federal Register*, 74 Fed. Reg. 14,977 (2009), with comments or protests due on or before April 6, 2009.

6. Comments and protests to the Compliance Filing were filed by the following: (1) Western Power Trading Forum (WPTF); (2) Pacific Gas & Electric Company (PG&E); (3) SWP; and (4) Southern California Edison Company (SoCal Edison). The

⁹ CAISO June 22, 2009 Status Report in Docket Nos. ER08-1178-000 and EL08-88-000 (June 22, 2009 Status Report).

¹⁰ CAISO May 15, 2009 Exceptional Dispatch and Market Disruption Reports in Docket Nos. ER06-615-000; ER07-1257-000; ER08-1178-000; and EL08-88-000. On May 18, 2009 the CAISO submitted a corrected report to replace in its entirety the May 15, 2009 report (May Exceptional Dispatch Report); CAISO June 15, 2009 Exceptional Dispatch and Market Disruption Reports in Docket Nos. ER06-615-000; ER07-1257-000; ER08-1178-000; and EL08-88-000 (June Exceptional Dispatch Report); and the CAISO July 15, 2009 Exceptional Dispatch and Market Disruption Reports in Docket Nos. ER06-615-000; ER07-1257-000; ER08-1178-000; and EL08-88-000 (July Exceptional Dispatch Report) (collectively Exceptional Dispatch Informational Reports). We note that the CAISO has also submitted an informational report covering the period of June 16, 2009 through July 15, 2009; however, due to the timing of the order and the on-going nature of informational reporting, only the reports, comments, protests, and/or motions received in response to the first three reports will be discussed herein. *See* CAISO August 17, 2009 Exceptional Dispatch and Market Disruption Reports in Docket Nos. ER06-615-000; ER07-1257-000; ER08-1178-000; and EL08-88-000. As we elaborate below, the Commission does not intend to issue orders on ensuing reports as they are for informational purposes.

CAISO filed an answer. In addition, Golden State Water Company and DC Energy filed late filed motions to intervene.

7. In response to the Exceptional Dispatch Informational Reports and June 22, 2009 Status Report, comments, protests, and/or motions/requests for a technical conference were filed by the following: (1) J.P. Morgan Ventures Energy Corporation and BE CA LLC (J.P. Morgan); (2) Powerex Corporation (Powerex); (3) NRG Power Marketing LLC, Cabrillo Power I LLC, Cabrillo Power II LLC, El Segundo Power LLC, and Long Beach Generation LLC (NRG); and (4) WPTF. Answers and responses were filed by the following: (1) Calpine; (2) Sacramento Municipal Utility District; (3) Golden State Water Company; and (4) the CAISO.

III. Discussion

A. Procedural Matters

8. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2009), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept the answers to the Compliance Filing filed by the CAISO because it has provided information that assisted us in our decision-making process.

9. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R § 385.214(d) (2009), the Commission will grant the late-filed motions to intervene by DC Energy, LLC and Golden State Water Project given their interest in the compliance proceeding, the early stage of the compliance proceeding, and the absence of undue prejudice or delay.

10. With respect to the CAISO Compliance Filing, this order primarily addresses contested features of the proposed tariff provisions. Revisions that are not contested and not specifically discussed herein, the Commission finds are just and reasonable and hereby accepted.

11. With respect to the filings made in response to the Exceptional Dispatch Informational Reports and the June 22, 2009 Status Report, we note that the Commission sought such reports for informational purposes only and did not intend to, and will not, issue orders on those filings; therefore, the above referenced responses to informational reports will be discussed in the order only to the extent that they provide context to whether the CAISO has complied with the objectives of the Exceptional Dispatch Order, such as by providing sufficient transparency into Commission ordered stakeholder processes.

B. Reporting Requirements**1. Compliance Filing**

12. In the Exceptional Dispatch Order, the Commission directed the CAISO to make a compliance filing establishing a 60-day reporting process that details the frequency, volume, costs, causes, and degree of mitigation of exceptional dispatches.¹¹ In its Compliance Filing, the CAISO submitted a new MRTU Tariff section 34.9.4 that requires the CAISO to file with the Commission and post on its website, within 30 days of each 60-day period, a report that includes the information specified in the Exceptional Dispatch Order. The CAISO explained that its first report would cover the first 15 days following MRTU implementation and would be filed 30 days after the end of that period. In addition, the CAISO submitted revisions to certain sections of the MRTU Tariff to specify that designations made pursuant to the Interim Capacity Procurement Mechanism (ICPM) as a result of an Exceptional Dispatch would be subject to the reporting requirements of the new section 34.9.4, rather than the market notice requirement that applies to other ICPM designations.

a. Comments and Protests

13. PG&E asserts that the CAISO's proposed tariff language regarding the content of the Exceptional Dispatch Reports is too vague. PG&E points out that the Exceptional Dispatch Order required a report that details the frequency, volume, costs, causes, and degree of mitigation of exceptional dispatches. PG&E claims that the CAISO has failed to comply with the Commission's directive by changing the word "details" to "identifies" in its proposed tariff language, thereby limiting the scope of the reports in contravention of the Commission's mandate.¹² Thus, PG&E requests that the Commission require the CAISO to include specific details in its Exceptional Dispatch Reports.¹³

14. PG&E and SoCal Edison claim that the reporting timeline proposed by the CAISO is inconsistent with the Exceptional Dispatch Order. PG&E and SoCal Edison maintain that the Exceptional Dispatch Order requires the CAISO to report on exceptional dispatches within 60 days of their occurrence, but contend that the timeline proposed by

¹¹ Exceptional Dispatch Order, 126 FERC ¶ 61,150 at P 263.

¹² PG&E April 13, 2009 Comments in Docket Nos. ER08-1178-000 and EL08-88-000 at 2-3 (PG&E Comments on Compliance Filing).

¹³ *Id.* at 3-4.

the CAISO is effectively a 90-day reporting process.¹⁴ Thus, PG&E asserts that the Commission should require the CAISO to issue a market notice within two business days of each exceptional dispatch and a report within the shorter of 30 days or 10 days after the end of the month.¹⁵ Similarly, SoCal Edison requests that the Commission require the CAISO to post a market notice comparable to that which is required for similar backstop procurement events.¹⁶

b. CAISO Answer

15. The CAISO maintains that its proposed tariff language is consistent with the Exceptional Dispatch Order and that the recommendations of PG&E and SoCal Edison go beyond the requirements of the Exceptional Dispatch Order. Specifically, the CAISO observes that the Exceptional Dispatch Order makes no mention of market notices and asserts that providing a market notice for each Exceptional Dispatch would be overly burdensome. Further, the CAISO argues that the reporting timelines proposed by PG&E and SoCal Edison would provide the CAISO even less time to prepare reports than under its original 30-day reporting proposal.¹⁷

16. Nevertheless, the CAISO proposes two accommodations to address PG&E and SoCal Edison's concerns. First, the CAISO proposes to treat ICPM designations made pursuant to Exceptional Dispatch like other ICPM designations for reporting purposes. However, the CAISO notes that it may not always be able to issue a market notice within two days of each Exceptional Dispatch ICPM designation, due to the manual nature of the Exceptional Dispatch process. Therefore, the CAISO proposes to issue a market notice within two business days after the CAISO has made a determination that an Exceptional Dispatch ICPM designation has occurred. Second, the CAISO proposes to revert to a 30-day reporting obligation for exceptional dispatches that do not result in ICPM designations. The CAISO also notes that it intends to combine the Exceptional Dispatch Report with the Market Disruption Report and states that it will make the necessary modifications to the affected tariff language.¹⁸ In addition, due to its already

¹⁴ *Id.* at 4; SoCal Edison April 13, 2009 Protest in Docket Nos. ER08-1178-003 and EL08-88-004 at 1-3 (SoCal Edison Protest to Compliance Filing).

¹⁵ PG&E Comments on Compliance Filing at 54.

¹⁶ SoCal Edison Protest to Compliance Filing at 4.

¹⁷ CAISO April 28, 2009 Answer to Comments, Motion for Leave to Answer and Answer to Protests, and Request for Clarification in Docket Nos. ER08-1178-003 and EL08-88-004 at 5-6 (CAISO Compliance Filing Answer).

¹⁸ *Id.* at 8.

heavy MRTU reporting obligations, the CAISO proposes to modify section 43.5.2 of its tariff to require the filing of a single monthly ICPM report, 20 days after the end of the month in which any ICPM designation was made.¹⁹

17. In addition, regarding the content of the reports, the CAISO claims that the detail requested by PG&E goes beyond the level of detail that must be included in a tariff. The CAISO asserts that the detail it proposes to include in the monthly reports strikes a balance between the need for transparency and the imposition of an excessive burden. Accordingly, the CAISO proposes to identify the following in its reports:

- The frequency of exceptional dispatches (each Exceptional Dispatch by date);
- The gross volume in megawatts of the Exceptional Dispatch;
- The cause of the Exceptional Dispatch and the reason that an Exceptional Dispatch was necessary;
- The cost of the Exceptional Dispatch;
- The degree of mitigation achieved by the Exceptional Dispatch;
- The location of the exceptionally dispatched resource, at the level of local reliability area if relevant and possible; and
- The market in which the Exceptional Dispatch occurred.²⁰

c. Commission Determination

18. We find that the 30-day reporting obligation, as agreed to by the CAISO in its Compliance Filing Answer, will facilitate greater transparency into its use of Exceptional Dispatch as required by the Exceptional Dispatch Order by providing more timely information. In the Exceptional Dispatch Order, the Commission did not require the CAISO to file Market Notices regarding exceptional dispatches. Thus, we accept the CAISO's proposed tariff provision regarding the Exceptional Dispatch Reporting requirements, as modified in the CAISO Compliance Filing Answer, and subject to the clarifications discussed below.²¹ Accordingly, we direct the CAISO to submit a

¹⁹ *Id.* at 7. Section 43.5.2 of the CAISO Tariff currently requires the CAISO to issue a detailed ICPM report within the earlier of 30 days of procuring the resource or 10 days after the end of the month in which the procurement occurred.

²⁰ *Id.* at 9-10.

²¹ We note that this constitutes a reversion to the CAISO's originally proposed 30-day reporting process, which was set forth in the November Proposal. In a subsequent reply, the CAISO submitted a revised proposal to include Exceptional Dispatch information in its quarterly reports. The Commission found that the proposed quarterly reporting would not provide sufficient transparency into the CAISO's Exceptional Dispatch practices. Thus, the Commission directed the CAISO to implement a 60-day

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compliance filing within 30 days of the date of this order that incorporates the 30-day reporting obligation as set forth in the CAISO Compliance Filing Answer.

19. We emphasize that the focus of this proceeding is whether the CAISO has complied with the directives of the Exceptional Dispatch Order, not whether additional reports, such as Exceptional Dispatch market notices, may also be required. Thus, we find the requests by PG&E and SoCal Edison to direct that the CAISO issue a market notice within two business days of each exceptional dispatch and a report within the shorter of 30 days or 10 days after the end of the month to be beyond the scope of the compliance proceeding.

20. Regarding the reporting of ICPM designations that result from Exceptional Dispatches, the Commission did not carve out an exception from the reporting requirements of the Exceptional Dispatch Order for this category of exceptional dispatches. The Commission fully expected that exceptional dispatches of non-resource adequacy resources that result in ICPM designations would be reported along with the other Exceptional Dispatch data in order to create a comprehensive picture of the CAISO's use of Exceptional Dispatch during the reporting period. Thus, we continue to expect that these Exceptional Dispatch events, including the associated costs, will be included in the monthly reports.

21. However, we find the CAISO's requests regarding modifications to the ICPM reporting provisions of the tariff to be beyond the scope of this compliance proceeding. The Exceptional Dispatch Order required the CAISO to establish Exceptional Dispatch reporting procedures but did not direct any modifications to its ICPM reporting requirements. Thus, we reject the CAISO's proposal, in its Compliance Filing Answer, to include Exceptional Dispatch ICPM designations in its required ICPM reporting. Likewise, we reject the CAISO's request, in its Compliance Filing Answer, to modify the timing of its ICPM reports. If the CAISO wishes to make modifications to its ICPM reporting obligations, these requests should be made in a separate section 205 filing in the appropriate docket.

reporting obligation in an effort to balance the CAISO's reliance on manual Exceptional Dispatch validation methods with the stakeholders' interest in obtaining timely information. The Commission accepts the CAISO's proposal to revert to the 30-day reporting requirement and notes that the CAISO is still required to provide all of the information required by the Exceptional Dispatch Order, but will now be obligated to do so in a more timely manner.

2. Informational Reports

22. In the May Exceptional Dispatch Report, the CAISO stated that the report included all of the details proposed in its Compliance Filing Answer with two exceptions. First, the CAISO explained that the May Exceptional Dispatch Report did not contain any cost data, which the CAISO states that it intends to provide for the first 15 days of operation once the settlement quality data is available. The CAISO expects that once payment acceleration procedures are in place cost data should be available to include in the same Exceptional Dispatch Report as the rest of the data for the relevant reporting period. Second, the CAISO asserts that the “degree of mitigation” is relevant only as of August 1, 2009, when the temporary revenue cap established by the Commission in the Exceptional Dispatch Order expires, because for the first four months of MRTU operation all bids are effectively subject to mitigation.²²

23. The CAISO also notes that while it has endeavored to develop a comprehensive report, it is possible, due to the manual nature of Exceptional Dispatch, that additional, unreported exceptional dispatches may have occurred during the first 15-day reporting period. The CAISO states that it intends to republish revised versions of the reports when it submits the cost data for the relevant reporting period.²³

24. The May Exceptional Dispatch Report indicates that for the period of April 1, 2009 through April 15, 2009, there were a total of 223 exceptional dispatches. The CAISO explains that each entry also includes the date of and reason for the Exceptional Dispatch, as well as the location of the resource and the market in which the Exceptional Dispatch occurred. The CAISO provides that many of the reasons are “self-explanatory” and offers additional explanations for some of the broader categories of reasons, such as “system-capacity” and “software limitation.”²⁴

25. The June Exceptional Dispatch Report contains the same types of information as the May Exceptional Dispatch Report, and again excludes cost and mitigation information, but modifies the categories explaining the reason for the Exceptional Dispatch and the market in which the Exceptional Dispatch occurred. The June Exceptional Dispatch Report reveals a total of 828 instances of Exceptional Dispatch during the reporting period. The CAISO reports that it is “confident” it has captured substantially all of the occurrences of Exceptional Dispatch for the 30-day period.²⁵

²² May Exceptional Dispatch Report at 2-3.

²³ *Id.* at 3.

²⁴ *Id.* at 3-4.

²⁵ June Exceptional Dispatch Report at 5.

However, the CAISO acknowledges that it was unable to “capture a substantial portion of the [megawatt] volume of [e]xceptional [d]ispatches of intertie resources and [d]ay-[a]head commitments” for the relevant period.²⁶ The CAISO asserts that Figure 2 of the June Exceptional Dispatch Report clearly demonstrates a declining trend in the occurrences of both real-time and day-ahead Exceptional Dispatch.²⁷

26. The July Exceptional Dispatch Report shows a total of 631 exceptional dispatches for the period of May 16, 2009 through June 15, 2009.²⁸ According to the CAISO, trends indicated by the July Exceptional Dispatch Report include a decrease in the frequency of transmission outages due to the fact that most of the scheduled transmission maintenance had been completed by the beginning of June. The CAISO also notes that unit commitments to minimum load accounted for 90 percent of the total megawatt hours of Exceptional Dispatch, and that 77 percent of these exceptional commitments occurred in the day-ahead market. The July Exceptional Dispatch Report also includes final Exceptional Dispatch data for the period of April 1, 2009 through April 15, 2009, including cost data for the period.²⁹

a. **Comments, Protests, and Requests for a Technical Conference**

27. In response to the May Exceptional Dispatch Report, WPTF submits that the report does not contain sufficient specificity to be useful to market participants and requests that the Commission direct the CAISO to more explicitly identify and detail the reasons it is issuing Exceptional Dispatch instructions. Moreover, WPTF notes that the

²⁶ *Id.*

²⁷ *Id.*

²⁸ The July Exceptional Dispatch Report notes that “the manual log review for this period is not complete, and it is possible that additional [e]xceptional [d]ispatches occurred during this period. Although the [CA]ISO is confident that it has captured substantially all of the occurrences of Exceptional Dispatch for the May 16 through June 15 time frame, it was unable to capture a significant portion of the [megawatt hour] quantity of [e]xceptional [d]ispatches of intertie resources in time for this report. For all [e]xceptional [d]ispatches, the [CA]ISO has substantially captured the [megawatt hour] volume through May 30. Megawatt hour data for the period after May 30 is less accurate due to the amount of time required to manually transfer intertie Exceptional Dispatch records from dispatcher’s logs to downstream databases that are used for this report.” July Exceptional Dispatch Report at 6-7.

²⁹ *Id.* at 30-41.

report does not include all instances of Exceptional Dispatch and requests that the Commission direct the CAISO to confirm the completeness of the report and revise the report if necessary. Similarly, WPTF submits that the May Exceptional Dispatch Report may also underestimate the frequency of Exceptional Dispatch to the extent that a multi-day Exceptional Dispatch is recorded based on the initial call. WPTF also questions the CAISO's authority to issue multi-day dispatches and asserts that the Commission should direct the CAISO to explain the source of this authority.³⁰

28. WPTF expresses concern about the frequency of the CAISO's use of Exceptional Dispatch to address transmission and generation outages and calls into question the CAISO's intertie dispatch practices. WPTF states that in its May 13, 2009 stakeholder call, the CAISO clarified that it updates outages in its model on a daily basis. Thus, WPTF asserts that the CAISO should explain further why the outages for which it issued Exceptional Dispatch instructions could not be entered into the network model and accounted for in the running of the day-ahead market. Further, WPTF contends that the CAISO's market model should reflect which units bid into the day-ahead market and are thus available for dispatch in real-time. Therefore, WPTF questions the CAISO's use of Exceptional Dispatch to address generation outages. With respect to the treatment of interties, WPTF states that it is unclear whether the CAISO is treating dispatches at the interties as exceptional dispatches. Accordingly, WPTF requests that the Commission direct the CAISO to clarify its use of Exceptional Dispatch at the interties.³¹

29. In addition to questioning the frequency of exceptional dispatches, WPTF asserts that the May Exceptional Dispatch Report also raises questions about the nature of the CAISO's Exceptional Dispatch practices. Specifically, WPTF takes issue with what it characterizes as the CAISO's broad use of Exceptional Dispatch for purposes not envisioned, prior to the close of the integrated forward market and prior to running the residual unit commitment process. WPTF argues that the use of pre-market exceptional dispatches appears to interfere with the operation of the market and distorts market prices. Thus, WPTF requests that the Commission direct the CAISO to provide additional information regarding its use of Exceptional Dispatch in the day-ahead market.³² WPTF also asserts that the CAISO should be required to include more

³⁰ WPTF June 8, 2009 Comments in Docket Nos. ER06-615; ER07-1257; EL08-88-000; and ER08-1178-000 at 5.

³¹ *Id.* at 9-10.

³² Namely, WPTF requests that the CAISO also provide the reason why the markets cannot meet the CAISO's reliability requirements without Exceptional Dispatch; the reason why the CAISO cannot update its model to reflect known transmission outages or other contingencies in the day-ahead market; where the CAISO derives the authority to use Exceptional Dispatch prior to running the day-ahead market; and what the CAISO

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information in its monthly informational reports regarding the “amount of Exceptional Dispatch commitments it makes at minimum load” in order to ensure that the opportunity costs of these commitments are accurately reflected and to guard against overuse of these commitments.³³ Finally, WPTF expresses concern that imprecise Exceptional Dispatch reporting will hinder the development of market improvements the Commission has already identified.³⁴

30. Powerex, NRG, and J.P. Morgan support WPTF’s comments.³⁵ In addition, NRG argues that the CAISO appears to be using Exceptional Dispatch for known and foreseen contingencies as a routine practice and contends that the CAISO should cease exceptionally dispatching resources prior to running the day-ahead market.³⁶ J.P. Morgan requests the Commission to direct the CAISO to provide more specific information regarding the volume, duration, and reasons for each Exceptional Dispatch. J.P. Morgan also requests that the CAISO submit a cumulative Exceptional Dispatch Report each month along with the monthly report.³⁷

31. In response to the June Exceptional Dispatch Report, WPTF, NRG, and J.P. Morgan filed additional comments expressing heightened concern that the CAISO is using Exceptional Dispatch far more frequently than anticipated, particularly in the day-ahead market, and that this use is distorting market prices. As a short-term solution, the parties recommend the immediate implementation of a process to price exceptionally dispatched resources into the CAISO’s markets.³⁸

does with a supplier’s market bids when the CAISO supplants the supplier’s economic bids with self-schedules. *Id.* at 12-13.

³³ *Id.* at 13.

³⁴ *Id.* at 15.

³⁵ Powerex June 8, 2009 Comments in Docket Nos. ER06-615-000; ER07-1257-000; ER08-1178-000; and EL08-88-000; NRG June 8, 2009 Comments in Docket Nos. ER08-1178 and ER06-615 (NRG Reporting Comments); J.P. Morgan June 8, 2009 Comments in Docket Nos. ER06-615; ER07-1257; ER08-1178; and EL08-88 (J.P. Morgan Reporting Comments).

³⁶ NRG Reporting Comments at 4-5.

³⁷ J.P. Morgan Reporting Comments at 12-13.

³⁸ WPTF July 6, 2009 Motion for Technical Conference and Comments in Docket Nos. ER06-615-000; ER07-1257-000; ER08-1178-000; and EL08-88-000; NRG July 6, 2009 Motion for Technical Conference and Comments in Docket Nos. ER08-1178-000;

b. CAISO Answer

32. The CAISO contends that the May Exceptional Dispatch Report contains all of the available information required by the Exceptional Dispatch Order and the tariff language contained in its Compliance Filing Answer. According to the CAISO, the categories of information requested by the commentors either exceed the scope of requirements set forth in the Exceptional Dispatch Order or would not provide information useful for the purpose of reducing the need for Exceptional Dispatch. Thus, the CAISO asserts that the Commission should reject the parties' suggestions.³⁹

33. In addition, the CAISO contends that issues raised by the parties regarding the nature of the CAISO's use of Exceptional Dispatch are beyond the scope of the proceeding. The CAISO claims that the appropriate forum to raise such concerns would be in a complaint submitted pursuant to section 206 of the FPA. Further, the CAISO argues that even if the parties' issues are properly within the scope of the proceeding, the arguments lack merit and should be rejected.⁴⁰

c. Commission Determination

34. The Commission finds the Exceptional Dispatch Informational Reports submitted to date comply with our previous directives. However, the Commission concludes that additional clarification of the reporting requirements is needed to better achieve the objectives of the Exceptional Dispatch Order. To this end, we acknowledge receipt of the reports filed to date and find that they satisfactorily comply with the Exceptional Dispatch Order. We will not require the CAISO to file revised reports or additional information related to the reporting periods that have already past. We direct the CAISO to implement the reporting requirements, as clarified in this order, beginning with the

ER06-615-000; and EL08-88-000 (NRG Motion); and J.P. Morgan July 7, 2009 Motion for Leave to File Comments and Comments in Docket Nos. ER06-615; ER07-1257; ER08-1178; and EL08-88. The Commission notes that we are deferring consideration of the motions and requests for a technical conference until we have had the opportunity to review more robust Exceptional Dispatch data in the ensuing Exceptional Dispatch Reports.

³⁹ CAISO June 23, 2009 Answer in Docket Nos. ER06-615-000; ER07-1257-000; ER08-1178-000; and EL08-88-000 at 6-7.

⁴⁰ *Id.* at 29.

report to be submitted on September 15, 2009.⁴¹ Regarding challenges to the nature of the CAISO's use of Exceptional Dispatch, including the frequency of Exceptional Dispatch, dispatches at the interties, multi-day dispatches, and exceptional dispatches prior to running the day-ahead market, we find that these issues are beyond the scope of the instant proceeding, which is focused narrowly on whether the CAISO Compliance Filing and associated informational reports satisfy the mandates of the Exceptional Dispatch Order.⁴²

35. In the 2006 order originally accepting the MRTU Tariff, the Commission noted that it shared parties' concerns that Exceptional Dispatch "should not become a frequent occurrence and should be reserved for genuine emergencies."⁴³ Therefore, we directed the CAISO to publish all instances of Exceptional Dispatch on its OASIS website, explaining that the Commission would "monitor the occurrence of and the method by which CAISO employs Exceptional Dispatch" and would direct changes if necessary.⁴⁴ In the Exceptional Dispatch Order, the Commission found that, despite the significant increase in the CAISO's anticipated use of a manual, out-of-market mechanism for managing constraints, Exceptional Dispatch is necessary to ensure reliable operations of the CAISO grid,⁴⁵ particularly at the start of MRTU operations. The Commission found that although the CAISO's proposed reliance on Exceptional Dispatch was not unjust or unreasonable, it was nevertheless necessary to implement a number of measures to help prevent over-reliance on Exceptional Dispatch and to ensure that reliance on Exceptional Dispatch would decrease as the CAISO gained operational and modeling experience under MRTU.⁴⁶ Thus, the Commission ordered the CAISO to make a compliance filing that established a reporting process that details the frequency, volume, costs, causes, and

⁴¹ While the Commission acknowledges receipt of these initial informational filings, we do not intend to issue acknowledgments on future reports, as they are for informational purposes only. We note that the CAISO may seek an extension to file the September Report if additional time is needed to comply with the Commission's clarifications discussed herein.

⁴² We note that the Commission takes no position in this order regarding the merits of those challenges.

⁴³ MRTU Order, 116 FERC ¶ 61,274 at P 267.

⁴⁴ *Id.*

⁴⁵ Exceptional Dispatch Order, 126 FERC ¶ 61,150 at P 33.

⁴⁶ *Id.*

degree of mitigation of exceptional dispatches.⁴⁷ While the Commission intended the reporting requirements to be extensive,⁴⁸ it found that such thorough reporting appropriately balanced the CAISO's need to rely on manual processes to validate exceptional dispatches with the stakeholders' interest in obtaining timely information about the use of Exceptional Dispatch.⁴⁹

36. More specifically, the Commission found that requiring the CAISO to report regularly on its use of Exceptional Dispatch would provide the information necessary to conduct meaningful stakeholder processes regarding potential improvements to reduce the CAISO's reliance on Exceptional Dispatch.⁵⁰ For example, as we emphasized in the Exceptional Dispatch Order, the CAISO should not permanently rely on an out-of-market mechanism to procure ancillary services that could be more appropriately supplied through market products.⁵¹ Thus, we encouraged the CAISO to continue to work with the stakeholders to develop a market-based solution for Path 26 dispatch, such as a competitive procurement of existing or new ancillary service products.⁵² We further directed the CAISO to report to the Commission on the status of this stakeholder process within 120 days, if it had not already filed a proposed solution.⁵³ Similarly, we directed the CAISO to file a report within 120 days that detailed the outcome of the stakeholder process and its plans for a long-term solution for procuring voltage support outside of Exceptional Dispatch.⁵⁴

37. After reviewing the first three Exceptional Dispatch Informational Reports, we find that without sufficient detail and consistency across reports, it is difficult to ascertain from the data which solutions may be most appropriate or how improvements should be prioritized, thereby defeating the fundamental purpose behind the reporting. Therefore, to better inform stakeholder-driven solutions to the problems that have resulted in the greater use of Exceptional Dispatch, the Commission now finds it necessary to clarify our

⁴⁷ *Id.* P 263.

⁴⁸ *See id.* P 34.

⁴⁹ *Id.* P 263.

⁵⁰ *Id.*

⁵¹ *Id.* P 44.

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.* P 45.

intent when directing the CAISO to report on frequency, volume, costs, causes, and degree of mitigation of exceptional dispatches, as discussed in detail below.

38. As a threshold matter, the CAISO should clearly indicate in all future reports whether the report includes all instances of exceptional dispatch for the reporting period. If it does, the report should explicitly confirm that it is complete. If it does not, the CAISO should specify to what degree the report is incomplete, i.e., an approximate number or percentage of total reported exceptional dispatches that are not included in the report. In addition, any reporting deficiencies should be clearly noted on charts or graphs that are impacted by the deficiencies. Regarding reports that are not complete, the CAISO is directed to file a revised report within 15 days of the omitted information being obtained. The revised report should be an updated version of the original report and include revised versions of any charts or graphs that were affected by the additional data. The revised report should clearly indicate where any changes or additions were made.

39. Appendices A and B of this order contain templates that specify the level of detail and prescribed format for all future Exceptional Dispatch Informational Reports. We have included sample templates for both the reports that do not contain cost data and for the revised, final reports that include the cost data. With respect to location data, the CAISO should include both the location of the resource by Participating Transmission Owner area and the local reliability area in which the exceptionally dispatched resource is located, if applicable, without revealing the actual unit that was dispatched. For example, indicating "Humboldt" as the resource's location is much more helpful and informative than indicating "PG&E" as the location of the resource. This will provide the CAISO, market participants, and the Commission with data that may or may not show a pattern of location-driven exceptional dispatches. This level of detail may allow the CAISO and market participants to more narrowly tailor their approach to addressing the cause(s) of these location-driven exceptional dispatches.

40. Regarding volume, the Commission clarifies that we intended for the CAISO to provide three volumetric measures of each Exceptional Dispatch: megawatts, hours, and megawatt-hours. This volume information should be included for each instance of Exceptional Dispatch, including commitments and dispatches for incremental and decremental energy. To date, the CAISO has reported only daily, aggregate volumes, which do not provide a complete picture of the reasons for which the CAISO is relying on Exceptional Dispatch. This more detailed information will allow the CAISO, stakeholders, and the Commission to assess which exceptional dispatches are the most substantial in terms of volume, thereby providing a means of prioritizing solutions. The Commission will also require the CAISO to provide information about whether each Exceptional Dispatch was for incremental or decremental energy, or neither, and if the Exceptional Dispatch was for commitment of the resource. Of course, it is possible for an Exceptional Dispatch to be both for commitment and incremental energy, a result that would be indicated based on the attached templates.

41. Further, the Commission will require the CAISO to refine its list of reasons for Exceptional Dispatch, both for consistency and for relevance. As the CAISO itself acknowledges, the first series of Exceptional Dispatch Reports did not use consistent terms to explain reasons for exceptional dispatches.⁵⁵ Without consistent terminology, it is difficult to accurately track trends in the various uses of Exceptional Dispatch. Thus, the CAISO is directed to develop and maintain consistent terminology in all future Exceptional Dispatch Reports in its “Reasons” column and to define all terms that are referenced in the “Reasons” column in each report. The list of reasons for Exceptional Dispatch should remain at least as specific as the list provided in the July Exceptional Dispatch Report. These reasons must each be defined in a manner that clearly explains to market participants the impetus for each Exceptional Dispatch. These definitions should be included in all future reports. Moreover, the classification of the reasons should be designed to provide useful information for review of potential solutions.⁵⁶ Finally, we will also direct the CAISO to maintain a consistent list of Exceptional Dispatch reasons in all future reports. We believe that utilizing consistent terminology between reports will allow stakeholders to draw more reasonable conclusions from the data provided by allowing different types of Exceptional Dispatch to be charted and compared over time.

42. Regarding the reports containing cost data, going forward we will require the CAISO to reconcile its reports lacking cost data with the corresponding reports containing cost data. Specifically, the information from the report lacking cost data must be accounted for in the updated report that includes cost data.⁵⁷ If this is not possible, the CAISO must explain why for each instance.

43. Second, regarding cost data, in the July Exceptional Dispatch Report, the CAISO provided three charge codes that seem to cover only the incremental cost of providing energy, the decremental charges, and the imbalance costs. However, it was not clear

⁵⁵ For example it is unclear whether the CAISO’s reasons entitled “Path 26” and “SP26 Capacity” are the same. *See* June Exceptional Dispatch Report.

⁵⁶ For example, if a report identified a high number of exceptional dispatches due to modeling limitations related to a planned transmission outage, such a finding would suggest that it may be worth expending resources on a modeling upgrade to facilitate automated management of this type of constraint. On the other hand, merely citing “system capacity” as a reason does not provide useful information or guidance as to what type of improvement should be considered to reduce the reliance on Exceptional Dispatch for that type of constraint.

⁵⁷ In other words, the first instance of Exceptional Dispatch in the Exceptional Dispatch Report containing no cost data should be the same instance of Exceptional Dispatch that is found in the report containing cost data.

from the CAISO's filing that this list included all the costs related to Exceptional Dispatch. Thus, we clarify that the CAISO should include, in all future reports, a separate column for each charge code associated with the cost of each Exceptional Dispatch, including the cost of each resource commitment made via Exceptional Dispatch. The start-up costs for each commitment should also be noted in a separate column. Finally, including a separate column for miscellaneous, additional costs related to each Exceptional Dispatch should help ensure transparency.⁵⁸

44. The Commission further clarifies that with regard to costs, the purpose of reporting cost data was to provide transparency into the total cost of Exceptional Dispatch, which includes the impact Exceptional Dispatch may have on market prices, if any. In this regard, we understand that a requirement to administratively rerun markets for each Exceptional Dispatch may be burdensome. However, to provide some insight into the full cost of Exceptional Dispatch and its impact on market prices, therefore, we expect the CAISO to provide data and analysis on hourly real-time prices at two distinct pricing nodes for the entire reporting period. The CAISO should choose two nodes that (1) are most heavily impacted by exceptional dispatches during the reporting period, and (2) for the purpose of diversified data, are not located in the same Load Aggregation Point. This information is intended to indicate whether, and the extent to which, the Exceptional Dispatch affected the relevant locational marginal price. The CAISO must provide data and analysis in all hours in which an Exceptional Dispatch was issued to determine if the locational marginal price at that node would have been different if the exceptionally dispatched unit was cleared economically in the market, instead of being called upon manually. The CAISO should include a comparison between the locational marginal price that would have resulted if the exceptionally dispatched resource(s) had cleared economically and the actual locational marginal price at that node. The CAISO is not required to report on the same two pricing nodes in subsequent reports; rather, the CAISO must determine which two pricing nodes were most heavily impacted by exceptional dispatches during the reporting period and provide the data for those nodes only. The Commission finds that the submission of the data detailed above will satisfy the Commission's directive to report on the full cost impact of Exceptional Dispatch.

45. While the Commission recognizes that the above clarifications enhance the level of detail required in future Exceptional Dispatch reports, we find that such modifications are necessary to ensure that the CAISO provides sufficient data to accomplish the objectives set forth in the Exceptional Dispatch Order. Accordingly, future reports must include this data in order to provide transparency into market functioning and to support the stakeholder processes in the development of the necessary market products and

⁵⁸ The CAISO should provide clear descriptions of and/or the reasons for any additional costs.

software and modeling enhancements. However, we acknowledge that a balance must be maintained between the benefits of transparency and the administrative burdens on the CAISO. Thus, we have attempted to clarify the CAISO's reporting obligations in such a way that the data provided is directly relevant to the underlying goal of reducing the need for Exceptional Dispatch. Accordingly, we will not direct the CAISO to include a cumulative report with its monthly Exceptional Dispatch Informational Reports. We find that adding a cumulative reporting obligation will not significantly enhance the value of the data. Rather, we believe that greater consistency in the monthly reporting will enable market participants to establish any desired cumulative tracking in a manner that best suits their needs.⁵⁹

C. CAISO June 22, 2009 Status Report

46. In the June 22, 2009 Status Report, the CAISO presented its analysis of the need for new market mechanisms for Path 26 and voltage support services, and requested additional time for stakeholder discussions on these issues. The CAISO also indicated that it has made substantial progress in its discussions with SWP, and stated that it will submit a further status report on those discussions within 30 days.⁶⁰ Subsequently, on July 22, 2009, the CAISO filed a further status report indicating that it had reached full agreement with SWP as to the procedures for Exceptional Dispatch compensation for participating load and that no tariff changes are necessary at this time.

47. Regarding the status of a new market mechanism to address Path 26 contingencies, the CAISO states that the Exceptional Dispatch data to date do not indicate a need for an immediate re-activation of the stakeholder process on such a product. The CAISO asserts that any consideration of a market-based solution for Path 26 dispatch should take into account the extent to which future software upgrades and modeling improvements are effective at reducing the need for Exceptional Dispatch. The CAISO notes, however, that other considerations, such as renewable integration requirements and the facilitation of demand response, could justify a new ancillary services product, such as a 30-minute reserve product, in the future.⁶¹

⁵⁹ We also note that the CAISO maintains data on its OASIS in addition to data provided in the filed reports and some data is provided in CAISO presentations. This data should be consistent with data submitted in the Exceptional Dispatch Reports in order to provide market participants up-to-date, transparent information.

⁶⁰ *See generally* June 22, 2009 Status Report.

⁶¹ *Id.* at 10.

48. With respect to the need for a competitive market product for voltage support services, the CAISO explains that it has determined that several additional months of data are needed in order to make a stakeholder process on this issue meaningful. The CAISO states that it will initiate a stakeholder process after it has obtained the additional months of data and emphasizes that the ultimate conclusion as to whether a voltage support product is needed should await the outcome of that process. In addition, the CAISO notes that it will continue to assess the need for other, possibly more critical, products and services and may run stakeholder processes on these products in parallel with the stakeholder process on voltage support services.⁶²

1. Comments, Protests, and Requests for a Technical Conference

49. WPTF and J.P. Morgan agree with the CAISO that more detailed information is required prior to drawing any conclusions on the need for new market products to address CAISO operating requirements that are currently satisfied through Exceptional Dispatch. Moreover, WPTF and J.P. Morgan acknowledge that new market products besides a 30-minute reserve product may more suitably address the CAISO's identified operating requirements. Nevertheless, WPTF and J.P. Morgan contend that the CAISO's heavy reliance on Exceptional Dispatch is undermining efficient market outcomes and, therefore, they take issue with the CAISO's open-ended commitment to revisit the issue at some unspecified point in the future. WPTF and J.P. Morgan propose that an immediate remedy should be to price exceptionally dispatched resources into the market while the CAISO works toward the longer-term enhancements it discusses in the CAISO Status Update. Similarly, NRG contends that the California markets are seriously harmed as long as the CAISO continues to rely heavily on non-market-based dispatch mechanisms.⁶³ Thus, WPTF, J.P. Morgan, and NRG request a technical conference to address these issues.⁶⁴

2. Commission Determination

50. In its June Proposal and Revised Proposal, the CAISO indicated that the highest incidence of Exceptional Dispatch would likely occur during the first months of MRTU. In accordance with this expectation, the CAISO originally proposed stringent mitigation for the first four months of MRTU, followed by relaxed mitigation for the remaining 20

⁶² *Id.* at 16.

⁶³ NRG Motion at 3.

⁶⁴ As previously noted, the Commission declines at this time to make a determination regarding the need for a technical conference until we have reviewed more data regarding the CAISO's use of Exceptional Dispatch. *See supra* n.38.

months of Exceptional Dispatch mitigation. Although the CAISO's proposed mitigation was not accepted by the Commission, we approved a four-month transition period that was grounded in the CAISO's projection that the highest use of Exceptional Dispatch was likely to occur in the early days of MRTU.⁶⁵ As a way of reducing the CAISO's reliance on Exceptional Dispatch, the Commission ordered the CAISO to report on stakeholder processes that were intended to develop new market products and/or explore other improvements that would reduce the need for Exceptional Dispatch.

51. In light of the clarifications this order makes to the CAISO's Exceptional Dispatch Reports, which should afford greater transparency into the use of Exceptional Dispatch, and based upon the fact that several months of data are now available, the Commission's expectation is that the CAISO's stakeholder processes should move forward in assessing the reasons underlying exceptional dispatches and addressing what market products and/or solutions may be developed to limit the CAISO's reliance on Exceptional Dispatch to situations that are rare and infrequent or genuine emergencies. The CAISO should work promptly with stakeholders to develop appropriate product(s) and/or enhancements for timely implementation of identified solutions. We acknowledge receipt of the June 22, 2009 Status Report and direct the CAISO to continue to report on the progress of the stakeholder processes at least every 120 days.⁶⁶ Accordingly, the next report should cover approximately the first six months of MRTU. By that point in time, the CAISO and stakeholders should have a wealth of data to support meaningful stakeholder processes. We expect, therefore, that stakeholder processes will be well underway by the time of the next update and working to identify and develop any appropriate market products and/or modeling or software solutions that could limit the need for Exceptional Dispatch going-forward.⁶⁷

⁶⁵ See Exceptional Dispatch Order, 126 FERC ¶ 61,150 at P 84-89.

⁶⁶ The Commission does not intend to notice these future status reports or to issue orders on these in the future, as these reports are for informational purposes only.

⁶⁷ The Commission notes that it does not favor any one market product or solution over any other market product or solution. Thus, the Commission encourages the stakeholders and the CAISO to identify and develop the most appropriate market products and/or solutions that are needed to timely eliminate reliance on Exceptional Dispatch.

D. Other Compliance Filing Issues**1. Physical Resource Constraints**

52. In its Compliance Filing, the CAISO explains why it considers it reasonable that it should not have to pay for resource adequacy capacity between a resource's contracted level, if that amount of capacity falls within its forbidden operating region, and the upper level of that resource's forbidden operating region. Thus, the CAISO proposes to offer an ICPM designation,⁶⁸ in that situation, only for the amount by which an Exceptional Dispatch exceeds the upper limit of the resource's forbidden operating region. Similarly, the CAISO maintains that if a scheduling coordinator has a resource adequacy resource that requires another non-resource adequacy resource in its portfolio to be on simultaneously, the CAISO should not be obligated to purchase that capacity.

a. Comments and Protests

53. WPTF argues that the CAISO's proposed treatment of these physical operating limitations fails to meet the directives of the Exceptional Dispatch Order. Thus, WPTF asserts that the Commission should direct the CAISO to provide compensation for all capacity necessary for satisfying an Exceptional Dispatch instruction, including any capacity associated with physical resource constraints.⁶⁹

b. CAISO Answer

54. The CAISO argues that WPTF mischaracterizes its proposed policy on physical operating constraints. The CAISO points out that while it understands and accepts the Commission's directive that the CAISO must offer an ICPM designation for exceptionally dispatched non-resource adequacy capacity that falls within a forbidden operating region, the CAISO's proposed policy applies only to capacity for which a

⁶⁸ The ICPM is designed to allow the CAISO to procure capacity to meet reliability criteria or otherwise maintain reliable grid operations. Under its backstop capacity procurement mechanism, the CAISO may designate resources to maintain reliable grid operations in the following circumstances: (1) if a load serving entity has not procured the full amount of its local or system-wide resource adequacy requirements; (2) when the portfolio of resources procured by all load serving entities in an area is insufficient to meet the reliability criteria for the area; or (3) if an ICPM Significant Event occurs that creates a need to supplement resource adequacy resources. Exceptional Dispatch Order, 126 FERC ¶ 61,150 at P 5.

⁶⁹ WPTF April 13, 2009 Protest in Docket Nos. ER08-1178-003 and EL08-88-004 at 4-5.

resource has already been compensated through a resource adequacy contract. The CAISO contends that it should not have to pay for additional capacity in order to access resource adequacy capacity that has already been contracted and paid for. The CAISO adds that the same reasoning applies to the situation in which a resource has sold resource adequacy capacity from a resource that requires another resource to be on in order to provide resource adequacy capacity.⁷⁰

c. Commission Determination

55. The Commission finds that if a resource has already contracted its resource adequacy capacity, the CAISO should not be obligated to provide additional compensation in order to access the capacity under contract. This is because customers have already paid for capacity and additional compensation could result in a double payment. Thus we find the CAISO's proposal on this issue to be in compliance with the directives of the Exceptional Dispatch Order and hereby accept it.

2. Exceptional Dispatch Cost Allocation

56. In its Compliance Filing, the CAISO proposes to allocate the costs of all Exceptional Dispatch ICPM designations to all scheduling coordinators that serve load in the transmission access charge area(s) in which the need for the Exceptional Dispatch arose.⁷¹

a. Comments and Protests

57. SWP expresses concern that such a broadly socialized cost allocation could result in SWP being forced to pay for the Exceptional Dispatch services it provides. Thus, SWP seeks to preserve its rights with respect to this issue.

b. CAISO Answer

58. The CAISO notes that its proposed cost allocation method is consistent with the current, Commission-approved allocation of the costs of other ICPM designations and asserts that SWP provides no explanation of why the costs of Exceptional Dispatch ICPM designations should be allocated differently. Moreover, the CAISO contends that the cost allocation issue goes beyond the scope of the Commission's directive in the Exceptional Dispatch Order to work with SWP on the issue of Exceptional Dispatch compensation for participating load. Thus, the CAISO argues that SWP has no right to "preserve" this

⁷⁰ CAISO Compliance Filing Answer at 12.

⁷¹ CAISO Compliance Filing at 12.

issue, and states that if SWP believes that the CAISO's treatment of participating load is unjust or unreasonable, it retains its right at all times to file a section 206 complaint.⁷²

c. Commission Determination

59. The Commission finds that it is just and reasonable for the CAISO to allocate the costs of Exceptional Dispatch ICPM designations in the same manner as it allocates the costs associated with ICPM designations for other reasons. As we emphasized in the Exceptional Dispatch Order, the underlying rationale for the Exceptional Dispatch ICPM designations is the principle that resources should be compensated in a comparable manner for providing comparable capacity-type services.⁷³ It follows, therefore, that the costs for these services should be allocated in a comparable way. Thus, we accept the CAISO's proposed cost allocation method and note that SWP retains the right to file a complaint under section 206 of the FPA if it believes that the CAISO's treatment of participating load is unjust or unreasonable.

3. Exceptional Dispatches Resulting in ICPM Designations Spanning Two Calendar Months

a. CAISO Request for Clarification

60. In its Compliance Filing Answer, the CAISO states that it believes its Compliance Filing was inconsistent with the Commission's intent with regard to the manner in which the CAISO is to determine the quantity of capacity, for settlement purposes, of an ICPM designation when the 30-day term spans two calendar months. The CAISO requests that the Commission clarify this point as indicated in its April 7, 2009 answer to requests for clarification of the Exceptional Dispatch Order.⁷⁴

b. Commission Determination

61. The Commission clarifies that when an ICPM designation resulting from an Exceptional Dispatch spans two calendar months, the CAISO should pay the resource for the first calendar month of the designation period based on the highest capacity quantity for which the resource was exceptionally dispatched during that month. For the second calendar month, the ICPM payment should be based on the highest quantity for which the resource was dispatched during the entire 30-day period, regardless of whether the

⁷² CAISO Compliance Filing Answer at 14-15.

⁷³ Exceptional Dispatch Order, 126 FERC ¶ 61,150 at P 161-66.

⁷⁴ CAISO Compliance Filing Answer at 15-16.

Exceptional Dispatch for this quantity occurred during the first calendar month or the second. We direct the CAISO to submit a compliance filing within 30 days of the date of this order to incorporate this modification into its tariff.

The Commission orders:

(A) The Commission accepts, effective March 31, 2009, the CAISO Compliance Filing, as discussed in the body of this order.

(B) The Commission grants clarification regarding the determination of the quantity of capacity for ICPM designations spanning two calendar months, as discussed in the body of this order.

(C) The Commission directs the CAISO to submit a compliance filing within 30 days of the date of this order, consistent with the modifications discussed in the body of this order.

(D) The Commission directs the CAISO to submit all future Exceptional Dispatch Reports, beginning with the report due on September 15, 2009, in conformance with the clarifications discussed in the body of this order.

(E) The Commission directs the CAISO to continue to file status updates regarding the progress of stakeholder processes concerning improvements or market solutions designed to reduce the need for Exceptional Dispatch.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

APPENDIX A

APPENDIX B

