

April 24, 2014

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: California Independent System Operator Corporation  
Compliance Filing**

**Docket No. ER14-1220-\_\_\_\_\_**

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”) respectfully submits this compliance filing in response to the Commission’s March 27, 2014, order<sup>1</sup> that conditionally accepted the ISO’s January 30, 2014 amendment to the ISO open access transmission tariff to clarify and enhance the resource adequacy substitution process. Specifically, the ISO submits revised tariff sheets to: (1) clarify how a resource providing resource adequacy substitute capacity will be affected under a forced outage or derate;<sup>2</sup> and (2) provide that resource adequacy substitute capacity will be treated as resource adequacy capacity during the period of substitution for purposes of a forced outage or de-rate allocation.<sup>3</sup>

The ISO respectfully requests that the Commission accept this compliance filing as filed.

## **I. Background**

On January 30, 2014, the ISO submitted a tariff filing to modify existing resource adequacy provisions in order to clarify and add details about: i) how a resource adequacy resource on a forced outage or de-rate may use one or

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, 146 FERC ¶ 61,228 (2014) (March 27 order).

<sup>2</sup> Tariff section 40.9.4.2.1(j).

<sup>3</sup> Tariff appendix A, RA Substitute Capacity.

multiple resources to provide substitute capacity for its resource adequacy capacity that is unavailable; ii) how an alternate resource may provide substitute capacity for up to two resource adequacy resources at the same time; and iii) how reduced capacity due to a partial de-rate at a substitute resource should be allocated across the categories of resource adequacy capacity, resource adequacy replacement capacity, resource adequacy substitution capacity, and backstop capacity under the capacity procurement mechanism that the resource provides.

Currently, ISO systems do not have the functionality necessary to accommodate the submission and processing of requests by single resources to provide substitute capacity for multiple resources at the same time. In its filing, the ISO proposed to facilitate substitution by establishing an interim manual process through which alternate resources, under specific conditions, may substitute for up to two resource adequacy resources on a forced outage or de-rate. The ISO is developing an automated process that will provide full capability for market participants to engage in a multiple resource substitution, which is expected to be deployed in Fall 2014.

On February 20, 2014, San Diego Gas & Electric Company (“SDG&E”) filed a motion to intervene and protest in this matter. SDG&E’s protest focused on tariff section 40.9.4.2.1(j), which discusses the allocation of a partial derate at a substitute resource across the categories of resource adequacy capacity, resource adequacy replacement capacity, resource adequacy substitution capacity, and backstop capacity under the capacity procurement mechanism that the resource provides. SDG&E objected to this provision:

This seemingly innocuous provision is inconsistent with other existing provisions of the CAISO’s tariffs, will result in the unreasonable loss of performance incentives and unjust imposition of performance penalties for certain market participants, unnecessarily modifies the preexisting rules governing the allocation of resource de-rates, will result in higher costs to consumers without offering any commensurate improvements to system reliability, and should be either modified or rejected by the Commission.<sup>4</sup>

In response to SDG&E’s protest, the ISO argued that section 40.9.4.2.1(j) should be adopted without modification but, in order to address SDG&E’s

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<sup>4</sup> SDG&E Protest, p. 2.

concern and avoid future misinterpretation, the ISO stated that it is willing to revise section 40.9.4.2.1(j) to expressly state that the MW reduction in available capacity at a resource providing RA Substitute Capacity due to an outage or de-rate during the substitution period shall be allocated in accordance with section 40.9.4.2.2 and that the allocation to any non-exempt resource adequacy shall be made on a pro-rata basis to each commitment of the substitute resource to provide resource adequacy capacity, resource adequacy replacement capacity, resource adequacy substitution capacity, and capacity provided under the capacity procurement mechanism.

## II. Discussion

### A. Section 40.9.4.2.1(j)

In its March 27 order, the Commission found that the ISO's proposed section 40.9.4.2.1(j) is unclear about 1) how a resource providing substitute capacity will be affected under a forced outage or derate; and 2) whether this proposed section is consistent with CAISO's currently effective tariff section addressing how CAISO accounts for derates (section 40.9.4.2.2).

The Commission determined that the revisions to section 40.9.4.2.1(j) proposed in the ISO's answer adequately addressed the Commission's concerns. The Commission ordered the ISO to submit a compliance filing to reflect the modified language.

In compliance, the ISO is submitting revisions to section 40.9.4.2.1(j) providing the required modifications. Specifically, the final two sentences of that section will be revised as follows:

- (j) **Allocation of Unavailable RA Substitute Capacity.** In the event the resource providing RA Substitute Capacity has an Outage or de-rate during the substitution period, the CAISO shall allocate the MW reduction in available capacity in accordance with Section 40.9.4.2.2. The allocation to any non-exempt Resource Adequacy Capacity shall be made on a pro-rata basis to each commitment of the substitute resource to provide RA Capacity, RA Replacement Capacity, RA Substitute Capacity, and CPM Capacity.

### B. Section 40.9.4.2.1(b)

In its March 27 Order, the Commission found that the ISO's tariff amendments, as proposed, fail to clearly define substitute resource adequacy

capacity as resource adequacy capacity for purposes of allocating de-rates.<sup>5</sup> The Commission directed the ISO to modify its tariff to clearly state that substitute resource adequacy capacity will be treated as resource adequacy capacity during the period of substitution for purposes of a forced outage or de-rate allocation.<sup>6</sup>

In compliance, the ISO proposes to modify section 40.9.4.2.1(b) to add a provision to clarify the classification of resource adequacy substitute capacity as follows:

**Section 40.9.4.2.1(b)**

(6) RA Substitute Capacity will be treated as Resource Adequacy Capacity during the period of substitution for purposes of a Forced Outage or de-rate allocation.

**III. Communications**

Correspondence and other communications regarding this filing should be directed to:

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<sup>5</sup> March 27 order, at P 23.

<sup>6</sup> *Id.*

#### **IV. Contents of this Filing**

In addition to this transmittal letter, this filing includes the following attachments:

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|--------------|---|
| Attachment A | Clean ISO tariff sheets incorporating this tariff amendment                 |
| Attachment B | Red-lined document showing the revisions contained in this tariff amendment |

#### **V. Conclusion**

For the reasons set forth in this filing, the ISO respectfully requests that the Commission accept this compliance filing as filed, effective April 1, 2014.

Respectfully submitted,

**By: /s/ Beth Ann Burns**

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Attorneys for the California Independent  
System Operator Corporation

**Attachment A – Clean Tariff**

**Compliance Filing in Docket No. ER14-1220**

**California Independent System Operator Corporation**

**April 24, 2014**

#### **40.9.4.2.1 RA Substitute Capacity**

- (a) **Substitution Option.** A Scheduling Coordinator may provide RA Substitute Capacity for its Resource Adequacy Capacity that is on a Forced Outage or de-rate in order to mitigate the impact of the Forced Outage or de-rate on its Resource Adequacy Resource's availability calculation.
- (b) **RA Substitute Capacity Availability.**
- (1) RA Substitute Capacity must be operationally available to the CAISO:
  - (2) Capacity on, or scheduled to be on, a Forced Outage, Approved Maintenance Outage, or de-rate, is not operationally available and shall not qualify to be RA Substitute Capacity for the duration of the period that it is unavailable.
  - (3) RA Replacement Capacity, RMR Capacity, CPM Capacity, and capacity committed to be Resource Adequacy Capacity in a monthly Supply Plan shall not qualify to be RA Substitute Capacity for the duration of that commitment.
  - (4) RA Substitute Capacity shall not qualify to be RA Replacement Capacity, RMR Capacity, CPM Capacity, or Resource Adequacy Capacity in a monthly Supply Plan, for the duration of the substitution.
  - (5) If a resource provides RA Substitute Capacity for multiple Resource Adequacy Resources under Section 40.9.4.2.1(f), the same capacity committed as RA Substitute Capacity for one Resource Adequacy Resource shall not qualify as RA Substitute Capacity for a different Resource Adequacy Resource during the same substitution period.
  - (6) RA Substitute Capacity will be treated as Resource Adequacy Capacity during the period of substitution for purposes of a Forced Outage or de-rate allocation.

\* \* \* \* \*

(j) **Allocation of Unavailable RA Substitute Capacity.** In the event the resource providing RA Substitute Capacity has an Outage or de-rate during the substitution period, the CAISO shall allocate the MW reduction in available capacity in accordance with Section 40.9.4.2.2. The allocation to any non-exempt Resource Adequacy Capacity shall be made on a pro-rata basis to each commitment of the substitute resource to provide RA Capacity, RA Replacement Capacity, RA Substitute Capacity, and CPM Capacity.

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**Attachment B – Marked Tariff**

**Compliance Filing in Docket No. ER14-1220**

**California Independent System Operator Corporation**

**April 24, 2014**

#### 40.9.4.2.1 RA Substitute Capacity

- (a) **Substitution Option.** A Scheduling Coordinator may provide RA Substitute Capacity for its Resource Adequacy Capacity that is on a Forced Outage or de-rate in order to mitigate the impact of the Forced Outage or de-rate on its Resource Adequacy Resource's availability calculation.
- (b) **RA Substitute Capacity Availability.**
- (1) RA Substitute Capacity must be operationally available to the CAISO:
  - (2) Capacity on, or scheduled to be on, a Forced Outage, Approved Maintenance Outage, or de-rate, is not operationally available and shall not qualify to be RA Substitute Capacity for the duration of the period that it is unavailable.
  - (3) RA Replacement Capacity, RMR Capacity, CPM Capacity, and capacity committed to be Resource Adequacy Capacity in a monthly Supply Plan shall not qualify to be RA Substitute Capacity for the duration of that commitment.
  - (4) RA Substitute Capacity shall not qualify to be RA Replacement Capacity, RMR Capacity, CPM Capacity, or Resource Adequacy Capacity in a monthly Supply Plan, for the duration of the substitution.
  - (5) If a resource provides RA Substitute Capacity for multiple Resource Adequacy Resources under Section 40.9.4.2.1(f), the same capacity committed as RA Substitute Capacity for one Resource Adequacy Resource shall not qualify as RA Substitute Capacity for a different Resource Adequacy Resource during the same substitution period.
  - (6) RA Substitute Capacity will be treated as Resource Adequacy Capacity during the period of substitution for purposes of a Forced Outage or de-rate allocation.

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(j) **Allocation of Unavailable RA Substitute Capacity.** In the event the resource providing RA Substitute Capacity has an Outage or de-rate during the substitution period, the CAISO shall allocate the MW reduction in available capacity in accordance with Section 40.9.4.2.2. The allocation to any non-exempt Resource Adequacy Capacity shall be made on a pro-rata basis to each commitment of the substitute resource to provide RA Capacity, RA Replacement Capacity, RA Substitute Capacity, and CPM Capacity.

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## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each party listed on the official service list for this proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010 (2013)).

Dated at Washington, DC on this 24th day of April, 2014.

/s/ Daniel Klein  
Daniel Klein