

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

Oildale Energy, LLC

Docket No. ER15-2304-000

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION'S
INTERVENTION AND COMMENTS IN SUPPORT OF WAIVER OF NOTICE
REQUIREMENT FOR MARKET-BASED RATE AUTHORITY**

The California Independent System Operator Corporation (“CAISO”) submits this motion to intervene and comments in response to Oildale Energy’s (“Oildale”) application for market-based rate authority and waiver of the 60-day notice period.¹ Oildale, a Qualifying Facility (“QF”), filed its application on July 29, 2015 and requested an effective date of July 15, 2015, which is also the effective date of the CAISO’s capacity procurement mechanism (“CPM”) designation of Oildale to meet local reliability needs that only Oildale could mitigate. Accordingly, the CAISO supports the proposed July 15, 2015 effective date of Oildale’s market-based rate authority.

I. MOTION TO INTERVENE

The CAISO is a non-profit public benefit corporation organized under the laws of the State of California. The CAISO’s Commission-approved tariff obligates the CAISO to maintain reliable operations of the CAISO Controlled Grid. As this proceeding relates to compensation owed to a generating unit for actions taken to maintain grid reliability, the CAISO has an interest in this proceeding that cannot be represented adequately by

¹ Capitalized terms not otherwise defined herein have the meanings set forth in appendix A to the CAISO tariff.

any other party. Accordingly, the CAISO requests that the Commission permit it to intervene in this proceeding.

II. BACKGROUND

Section 43 of the CAISO tariff outlines the CAISO's capacity procurement mechanism ("CPM") authority through which it may procure backstop capacity to maintain grid reliability under certain defined circumstances. One of those circumstances is where the CAISO issues an Exceptional Dispatch to a generating unit whose capacity is not already under a capacity contract, such as a resource adequacy contract, reliability must-run contract, or a preexisting CPM designation.²

Heading into June 2015, the CAISO became aware that Oildale's legacy Public Utility Regulatory Policies Act ("PURPA") contract was expiring at the end of the month and that Oildale potentially would be needed for local reliability through the summer. The CAISO ultimately determined that it would need to offer Oildale an Exceptional Dispatch CPM pursuant to CAISO tariff section 43.2.5 to keep it online for at least 60 days (the minimum designation term for a CPM issued for local, rather than system, reasons). The CAISO contacted Oildale on June 23 about the potential CPM designation. Once its legacy PURPA power purchase agreement terminated, Oildale needed to go through the QF conversion process to become a direct CAISO participating generator if it planned on exporting power either as a merchant resource or pursuant to a successor power purchase agreement. Many QFs were able to enter into new power purchase agreements. The CAISO understands that Oildale was unable to

² CAISO tariff section 43.2.5.

secure a replacement power purchase agreement and, therefore, had planned on a period of non-operation beginning July 1, 2015. Thus, when the CAISO contacted Oildale, Oildale was not particularly familiar with CAISO market and settlement processes generally or the CPM provisions specifically. Accordingly, Oildale needed time to review and understand what the CAISO was proposing and then to retain a scheduling coordinator that could accept a CPM designation on its behalf. The CAISO ultimately issued, and Oildale accepted, a 60-day Exceptional Dispatch CPM designation effective July 15, 2015.³

III. COMMENTS

Assuming the Commission determines that Oildale should be granted market-based rate authority, the CAISO supports Oildale's request for a July 15, 2015 effective date to coincide with the effective date of the CAISO's Exceptional Dispatch CPM designation. As reflected in the CAISO's designation report, the CAISO offered the CPM designation to Oildale because of a local reliability need. Since July 15, Oildale has been providing the capacity required to meet that reliability need and is being paid based on the formula rate in CAISO tariff section 43.7.1 for CPM capacity and the applicable locational marginal price for any energy produced. The formula rate set forth in CAISO tariff section 43.7.1 reflects the minimum payment for CPM capacity. Under CAISO tariff section 43.7.2, resources also have the opportunity to cost-justify a higher capacity price in a resource-specific filing brought before the Commission. Thus, the

³ The market notice for the designation is available at: <https://www.caiso.com/Documents/July2015ExceptionalDispatchCapacityProcurementMechanismDesignationReport.htm>. The designation report is available at: <http://www.caiso.com/Documents/July152015ExceptionalDispatchCPMDesignationReport.pdf>.

CPM rate set forth in the CAISO tariff is the lowest rate that Oildale would have been paid in connection with any CPM designation.

Under these circumstances, it would be unjust and unreasonable to deny or disallow any compensation due to Oildale Energy's delay in filing its application for market-based rate authority. As a QF under the PURPA regime, Oildale Energy was not required to have market-based rate authority; nor was it planning to participate in the CAISO markets as a merchant resource. Instead, Oildale was planning on a period of non-operation since it was unable to secure a power purchase agreement until the CAISO contacted it to secure reliability services under the CAISO tariff. Moreover, by the time Oildale was put on notice by the CAISO of the potential need to bring an application for market-based rates to the Commission it would have been impossible for Oildale to meet the required 60-days' notice to the Commission.

The CAISO is concerned about the precedent that would be set going forward if Oildale's requested July 15, 2015 effective date were denied. In the future, QFs with a terminating PURPA contract that have not already secured a new power purchase agreement may have little incentive to provide reliability services needed by the CAISO on short-notice knowing that they will face subsequent Commission action and revenue uncertainty.⁴ Creating such incentives could undermine the function that the CPM exists to serve—to provide tariff-based compensation to resources without capacity contracts that are needed for short-term reliability, oftentimes on immediate or extremely short notice. If the Commission were to deny Oildale's requested July 15,

⁴ The assumption is that a resource coming off a QF contract without a new power purchase agreement is at reasonable risk of ceasing operations and is not willing to participate in the CAISO markets strictly as a merchant facility.

2015 effective date, then similarly situated resources might decline a CPM designation until they secured a Commission order approving market-based rate authority. The CAISO would not find that outcome to be consistent with its interest in reliably operating the CAISO Controlled Grid, particularly in the case where the applicable rate is a formula rate explicitly stated in the tariff.

IV. CONCLUSION

The CAISO supports Oildale's request for market-based rate authority effective as of July 15, 2015. The CAISO had a specific reliability need that only Oildale could meet. Given what the CAISO understands to be Oildale's economic circumstances, it was unable to make a timely request for market-based rate authority yet it nevertheless met the CAISO's request for reliability services.

Respectfully submitted,

By: /s/ David S. Zlotlow

Roger E. Collanton

General Counsel

Sidney L. Mannheim

Assistant General Counsel

Anna A. McKenna

Assistant General Counsel

David S. Zlotlow

Senior Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: (916) 351-4400

Fax: (916) 608-7222

dzlotlow@caiso.com

Counsel for the California Independent
System Operator Corporation

Dated: August 20, 2015

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, 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, California this 20th day of August 2015.

/s/ Anna Pascuzzo

Anna Pascuzzo