

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

**California Independent System            )       Docket No. ER18-1169-001  
Operator Corporation                    )**

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION TO PROTEST**

The California Independent System Operator Corporation (CAISO)<sup>1</sup> answers the protest filed by NRG Power Marketing LLC (NRG) on August 14, 2018 regarding the CAISO's July 23, 2018 compliance filing in this proceeding (July 23 Compliance Filing).<sup>2</sup> NRG was the only entity that submitted a filing in response to the July 23 Compliance Filing. For the reasons explained below, the Commission should find no merit in the arguments raised by NRG and, therefore, it should accept the July 23 Compliance Filing as submitted by the CAISO.

**I.       Background**

On March 23, 2018, the CAISO filed proposed revisions to its tariff to implement its commitment cost enhancements phase 3 (CCE3) initiative. Among other changes, the filing included tariff revisions to implement a methodology to

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

<sup>2</sup> The CAISO files this answer pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R., §§ 385.212, 385.213. The CAISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer NRG's protest. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in the case. See, e.g., *Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010); *Xcel Energy Services, Inc.*, 124 FERC ¶ 61,011, at P 20 (2008).

allow eligible use-limited resources to include opportunity cost adders in their commitment costs and energy bid costs based on their use limitations.<sup>3</sup>

On June 21, 2018, the Commission issued an order accepting the CCE3 tariff revisions regarding the opportunity cost adder methodology, effective November 1, 2018 as requested by the CAISO, subject to the condition that the CAISO submit a compliance filing within 30 days containing further tariff changes to comply with directives in the order.<sup>4</sup> As relevant here, the Commission found that details on how the CAISO will develop the forecasted prices used in the opportunity cost calculator should be filed as part of the CAISO tariff, rather than only being included in the applicable CAISO business practice manual (BPM).<sup>5</sup> Therefore, the Commission “direct[ed] CAISO to submit a compliance filing . . . revising the tariff to add additional detail regarding the opportunity cost methodology to tariff Section 30.4.1.1.6.2.2, consistent with [the] answer” the CAISO had previously filed in the CCE3 proceeding.<sup>6</sup> The Commission specified that “[t]he additional detail should include a list of the underlying components that provide the basis for forecasted prices and a citation to the BPM that contains the specific equations and other implementation details.”<sup>7</sup>

To comply with these Commission directives, the July 23 Compliance Filing proposed to revise tariff section 30.4.1.1.6.2.2 to include the additional

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<sup>3</sup> The tariff amendment set forth these revisions primarily in new tariff section 30.4.1.1.6.

<sup>4</sup> *Cal. Indep. Sys. Operator Corp.*, 163 FERC ¶ 61,211, at P 32 (2018) (June 21 Order).

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* The CAISO had filed an answer to comments and protests regarding the tariff amendment on April 26, 2018 (April 26 Answer).

<sup>7</sup> June 21 Order at P 32.

detail regarding the opportunity cost methodology, consistent with the April 26 Answer. Specifically, the CAISO revised the tariff section to list six sequential steps the CAISO will follow to forecast the locational marginal prices (LMPs) used in the opportunity cost calculator. The CAISO also revised the tariff section to state that additional detail regarding the calculation of opportunity costs is provided in a new appendix (Appendix N) to the BPM for Market Instruments.<sup>8</sup>

## **II. Answer to NRG**

NRG argues that the CAISO's revisions to tariff section 30.4.1.1.6.2.2 are only a "general description of its opportunity cost process [that] fails to provide adequate detail for market participants to be able to validate the CAISO's calculation of the market participant's opportunity cost."<sup>9</sup> The CAISO disagrees. The Commission directed the CAISO to revise the tariff to include the additional detail consistent with the CAISO's answer, which is exactly what the CAISO did. Therefore, the revised tariff section fully complies with the June 21 Order. NRG's request for further detail in the tariff is beyond the scope of that Order.<sup>10</sup>

Specifically, NRG argues that the revisions to tariff section 30.4.1.1.6.2.2 do not provide any detail as to the source of information regarding the gas price index and natural gas future commodity price referenced in the revisions. NRG is incorrect. The revised tariff section references the BPM for Market

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<sup>8</sup> Transmittal letter for July 23 Compliance Filing at 3-5.

<sup>9</sup> NRG at 3.

<sup>10</sup> See, e.g., *Cal. Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,148, at PP 27, 32 (2009) ("The Commission's March 2009 Compliance Order did not direct the CAISO to permit any requesting entity to receive all operating procedures that authorize adjustment of operating levels for that entity or identify on its website each operating procedure authorizing such adjustments. . . . [T]he Commission finds SWP's request [for such operating procedure changes] to be beyond the scope of the March 2009 Compliance Order.").

Instruments. That BPM, in particular Attachment C thereto (entitled “Gas Price Calculation Rules”), already contains implementation details regarding the calculation of the gas price index used in the CAISO markets. The CAISO will also include further implementation detail specific to the opportunity cost calculator and related processes – including future commodity prices – in Attachment N, as set forth in the compliance language on file.<sup>11</sup> This will provide the level of detail that NRG is requesting. The CAISO plans to publish a draft version of Attachment N on Friday, August 31 for stakeholder information, in advance of the formal submission of the draft BPM changes to the CAISO’s BPM change management process.<sup>12</sup>

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<sup>11</sup> The CAISO acknowledges that Attachment N to the BPM for Market Instruments is currently used for a different purpose. The CAISO will move the material currently in Attachment N to a different location and will make Attachment N the source for additional implementation details relating to the opportunity cost calculator and related processes.

<sup>12</sup> The CAISO will postpone the implementation of the tariff changes accepted by the Commission in its June 21 Order to April 1, 2019. The CAISO will submit a petition for limited tariff waiver to postpone implementation in the very near future.

### III. Conclusion

For the foregoing reasons, the Commission should accept the tariff revisions contained in the July 23 Compliance Filing as submitted by the CAISO.

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Dated: August 29, 2018

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the above-referenced proceeding, pursuant to the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, DC this 29<sup>th</sup> day of August, 2018.

/s/ Bradley R. Miliauskas  
Bradley R. Miliauskas