

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

**California Independent System
Operator Corporation**

**Docket No. ER16-897-000
Docket No. ER15-1825-000
(Not Consolidated)**

ANSWER TO COMMENTS

The California Independent System Operator Corporation (“CAISO”) respectfully submits its answer to the comments filed in the above-identified dockets.¹ These proceedings concern implementation of both the CAISO’s revised Capacity Procurement Mechanism (CPM) and phase 1A of the reliability services initiative. As initially filed, the CAISO requested a March 1, 2016, implementation date for both initiatives. It recently made separate filings in the two dockets to delay implementation of both initiatives until April 1, 2016. In response to comments requesting that the CAISO delay implementation to May 1, 2016, and based on intervening developments, the CAISO now submits this answer agreeing with those comments and requests that the Commission provide for both initiatives to be implemented on May 1, 2016.

I. Background and Introduction

A. Capacity Procurement Mechanism Replacement Tariff Filing

On May 26, 2015, the CAISO filed proposed tariff amendments in docket no. ER15-1783 to extend the effectiveness of its expiring CPM from February 16,

¹ The ISO submits this answer pursuant to Rule 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213.

2016 through February 28, 2016, and the tariff amendments to implement the successor CPM that would apply to CPM designations effective on or after March 1, 2016. On October 1, 2015, the Commission issued an order accepting those amendments.² On February 4, 2016, the CAISO filed revised tariff language in docket no. ER16-897 that would extend the duration of the CAISO's otherwise expiring CPM from February 28, 2016 to March 31, 2016, and implement the new CPM for designations effective on or after April 1, 2016.

B. Reliability Services Phase 1A Tariff Filing

On May 29, 2015, the CAISO filed proposed tariff modifications in docket no. ER15-1825 to implement phase 1A of the CAISO's two-phase reliability services initiative. Phase 1A focused on enhancing and streamlining the CAISO's rules and processes regarding resource adequacy to meet the needs of an increasingly dynamic power grid. On October 1, 2015, the Commission issued an order conditionally accepting those amendments.³ On February 4, 2016, in docket no. ER15-1825 the CAISO filed a petition for limited waiver (and also on February 4, an errata to that petition) of the reliability services initiative phase 1A tariff provisions with a March 1, 2016, effective date. The waiver requested that the Commission suspend the effectiveness of the modifications with a March 1, 2016, effective date until April 1, 2016.

² *California Indep. Sys. Operator Corp.* 153 FERC ¶ 61,001 (2015).

³ *California Indep. Sys. Operator Corp.* 153 FERC ¶ 61,002 (2015).

C. Stakeholder Comment

On February 11, 2016, and February 12, 2016, Pacific Gas and Electric Company (PG&E) submitted comments in docket nos. ER15-1825 and ER16-897, respectively, requesting that both the CPM replacement and reliability services initiative phase 1A projects be implemented on May 1, 2016, instead of April 1, 2016. PG&E cited “the constant setback on the start of market simulation and a compressed simulation schedule”⁴ as making PG&E unable to use the planned market simulation activities fully. Based on the likely downstream consequences, PG&E expressed concern “that even with an additional month, it may not be adequate to verify results, resolve defects, and retest to ensure all of PG&E’s exit criteria are met.”⁵

II. Answer

Upon consideration of PG&E’s comments, and based on new developments since the ISO’s initial delay filings on February 4, the CAISO agrees with PG&E’s comments.

On February 9, the CAISO encountered a software issue with its market simulation environment that will require significant cross-departmental efforts to resolve. The CAISO cannot proceed with further market simulation until those issues are resolved. Through a market notice, the CAISO notified market participants on February 12 that further market simulation would be delayed

⁴ PG&E comments at 2 (docket no. ER15-1825) & 3 (docket no. ER16-897).

⁵ PG&E comments at 2 (docket no. ER15-1825) & 4 (docket no. ER16-897).

pending further notice.⁶ Even without this new delay, market participants, as reflected in PG&E's comments, already were concerned that activation of these initiatives on April 1 would not provide participants sufficient comfort with their readiness and that of the CAISO. That concern, combined with these new developments, clarified to the CAISO that implementation should be shifted to May 1. To provide maximum notice to market participants regarding the upcoming market simulation activities, the CAISO issued a market notice on February 17, 2016, notifying market participants of its intent to make this filing.⁷

The CAISO now requests that the Commission permit the CAISO to implement both the CPM replacement and reliability services initiative phase 1A projects on May 1, 2016. With the CPM tariff filing (docket no. ER16-897), the CAISO is prepared to file on compliance, if so ordered by the Commission, revised tariff language that shifts all dates later by one month, as compared to what was filed on February 4. With the reliability services initiative phase 1A petition (docket no. ER15-1825), the CAISO now requests that the Commission suspend the effectiveness of the identified tariff modifications until May 1, 2016, rather than April 1, 2016 (as was requested on February 4).

⁶ The market notice is available at:
<http://www.aiso.com/Documents/PostponedEarly2016ReleaseMarketSimulation.htm>.

⁷ The market notice is available at:
<http://www.aiso.com/Documents/UpdatedEarly2016ReleaseActivationAdvisoryPeriodCSPOffersSubmissionDeadline.htm>.

III. Conclusion

The CAISO agrees with PG&E's comments in the above-identified dockets that the CPM replacement and reliability services initiative phase 1A projects be implemented on May 1, 2016, instead of April 1, 2016.

Respectfully submitted,

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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 18th day of February 2016.

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