

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

**California Independent System) Docket No. ER16-1649-000
Operator Corporation)**

**PETITION FOR LIMITED TARIFF WAIVER TO SUSPEND EFFECTIVE DATE
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (CAISO) respectfully requests a temporary suspension of the effectiveness, or limited waiver, of certain tariff revisions accepted in the order issued in this proceeding on June 1, 2016.¹

In the June 1 Order, the Commission accepted the CAISO's proposed revisions to its tariff to improve the accuracy of the natural gas price index the CAISO uses to calculate commitment costs, generated bids, and default energy bids in the day-ahead market, to become effective July 6, 2016. The Commission noted, however, that "in order to use an index reported by [the Intercontinental Exchange ("ICE")], the index must conform" to the Commission's policy statement on price indices.² The CAISO is currently in the process of seeking to confirm whether the volume-weighted average price reported by ICE that the CAISO will utilize under the procedure approved in the June 1 Order

¹ *Cal. Indep. Sys. Operator Corp.*, 155 FERC ¶ 61,224 (2016) (June 1 Order). Specifically, the CAISO requests limited waiver of the revisions to sections 39.7.1.1.1.3(a)-(b), 30.4.1.2(b), and 31.6.1(v) of the CAISO tariff that the Commission accepted in the June 1 Order. The CAISO submits this petition for limited waiver pursuant to Rule 207 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.207 (2015).

² June 1 Order at P 12 n.14 (citing *Policy Statement on Natural Gas and Electric Price Indices*, 104 FERC ¶ 61,121, *order on clarification*, 105 FERC ¶ 61,282 (2003)) (Policy Statement).

satisfies the directive in the June 1 Order regarding conformity with the Commission's Policy Statement. Therefore, out of an abundance of caution, the CAISO requests that the Commission grant the CAISO a limited tariff waiver to suspend the effectiveness of the tariff revisions until no later than August 5, 2016 (*i.e.*, 30 days after July 6), so as to allow it additional time to explore possible solutions.

By no later than August 5, the CAISO will either: (1) confirm its understanding that using the volume-weighted average price conforms to the Policy Statement, in which event the CAISO will endeavor to implement the tariff revisions and issue a market notice and make an informational filing with the Commission to announce their implementation; or (2) submit a filing seeking alternative relief (for example, another petition for limited tariff waiver, a tariff amendment to delete the tariff revisions, or some other filing).

Good cause exists for the Commission to find that this petition satisfies its waiver criteria. The waiver is of limited scope in that it will apply, at most, for 30 days. The waiver will also remedy the concrete problem that the CAISO cannot implement the tariff revisions by July 6, 2016 because it has not yet confirmed that its use of the volume-weighted average price to calculate the day-ahead gas price satisfies the requirements of the Policy Statement. Further, the waiver will not have undesirable consequences, because it will maintain the status quo of the day-ahead gas price calculation procedures set forth in the existing tariff language, including the manual process for adjusting the index in the event of a gas price spike. For these reasons, the Commission should grant the petition.

I. Background

A. Existing Tariff Language Relevant to the Day-Ahead Gas Price Index

Under the CAISO tariff language currently in effect, the CAISO uses a natural gas price index to estimate the formulaic natural gas cost values for a gas-fired resource for purposes of calculating certain commitment costs, default energy bids, and generated bids. The CAISO calculates the gas price index between 7:00 p.m. and 10:00 p.m. using up to four (but at least two) natural gas commodity prices published that day from the following sources: Natural Gas Intelligence, SNL Energy/BTU's Daily Gas Wire, Platt's Gas Daily, and ICE.³ The CAISO uses this gas price index in the day-ahead market run for the following trading day.⁴

In market situations involving a spike in gas commodity prices, however, the CAISO uses a more recent gas price. Specifically, if a daily gas price reported by ICE on the morning of the day-ahead market run exceeds 125 percent of the gas price index calculated for the day-ahead market between 7:00 p.m. and 10:00 p.m. on the preceding day, the CAISO will utilize the daily gas price published by ICE on the morning that the day-ahead market is running in all CAISO cost formulas and market processes for the day-ahead market running that day.⁵

³ All times listed in this filing are Pacific time.

⁴ Existing tariff section 39.7.1.1.1.3(a). For the sake of clarity, this filing distinguishes between existing tariff provisions (*i.e.*, provisions in the current CAISO tariff) and revised tariff provisions (*i.e.*, existing tariff provisions as revised in this proceeding).

⁵ Existing tariff section 39.7.1.1.1.3(b). This tariff section is also cross-referenced in existing tariff sections 30.4.1.2(b) and 31.6.1(v).

B. The Revisions to the Day-Ahead Gas Price Index in this Proceeding

One of the tariff modifications proposed by the CAISO in this proceeding involved replacing the CAISO's existing day-ahead gas price index calculation procedure. The CAISO proposed to revise the tariff to state that, for the day-ahead market, the CAISO will use a volume-weighted average price calculated by ICE based on trades transacted on ICE during its next-day trading window, *i.e.*, on the morning of the CAISO's day-ahead market.⁶ The CAISO also proposed that if, for any reason, the volume-weighted average price is not available from ICE during this period, the CAISO will use the most recently calculated price indices.⁷ The CAISO proposed that the new procedure become effective as of July 6, 2016.

In addition, the CAISO explained that the new procedure would obviate the need for the CAISO to retain its existing manual gas price spike procedure (also described above). The CAISO stated that it adopted the existing manual procedure based, in part, on the fact that ICE's morning publication time (almost always 10:00 a.m.) coincided with the timing of the CAISO's day-ahead market, which normally closes at 10:00 a.m. and issues its results by 1:00 p.m. As of April 1, 2016, however, ICE began publishing its gas commodity prices at 11:30 a.m., *i.e.*, after the day-ahead market closes. The CAISO explained that this

⁶ Revised tariff section 39.7.1.1.1.3(b). To make the organization of the provisions in section 39.7.1.1.1.3 clear, the CAISO broke the section out into new subsections (a) through (d), with subsections (c) and (d) solely concerning the real-time market. Some of the language in subsections (a)-(c) was left unchanged from existing tariff section 39.7.1.1.1.3.

⁷ Revised tariff section 39.7.1.1.1.3(a).

manual process would no longer be necessary in light of the new proposed gas price calculation procedures.

In the June 1 Order, the Commission accepted these tariff modifications, to become effective July 6, 2016 as requested by the CAISO.⁸ The Commission noted, however, that ICE currently does not report a gas price index between 8:00 and 9:00 a.m. The Commission “remind[ed] CAISO that in order to use an index reported by ICE, the index must conform to the Commission’s *Policy Statement on Natural Gas and Electric Price Indices*.”⁹

II. Need for Tariff Waiver to Suspend Effective Date

The CAISO is currently in the process of evaluating whether use of the volume-weighted average price reported by ICE between 8:00 and 9:00 a.m. in its day-ahead gas price calculation procedures conforms with the Policy Statement, as required by the June 1 Order. However, the CAISO does not anticipate that it will be able to resolve this uncertainty by July 6, which is the effective date for implementing the new gas price calculation methodology. Consequently, out of an abundance of caution, and to ensure that the CAISO is not out of compliance with the Commission’s June 1 directive, the CAISO requests limited waiver of the effective date of the revisions to sections 39.7.1.1.1.3(a)-(b), 30.4.1.2(b), and 31.6.1(v) of the CAISO tariff that the Commission accepted in the June 1 Order. Specifically, the CAISO is requesting that the Commission waive the effective date of these tariff revisions for no more

⁸ June 1 Order at PP 12-13 & n.13.

⁹ *Id.* at P 12 n.14.

than 30 days, which will give the CAISO sufficient additional time to work with ICE to determine whether use of the volume-weighted average price meets the criteria set forth in the Policy Statement, or whether other relief is necessary.

III. Petition for Limited Tariff Waiver

Good cause exists for the Commission to grant a limited waiver to suspend the effectiveness of the tariff revisions until no later than August 5, 2016. The Commission has previously granted requests for tariff waivers in situations where (1) the waiver is of limited scope; (2) a concrete problem needs to be remedied; and (3) the waiver did not have undesirable consequences, such as harming third parties.¹⁰ This waiver petition meets all three conditions.

The waiver is of limited scope in that it will apply for no more than 30 days, from July 6, 2016 until no later than August 5, 2016. If the CAISO is able to determine before August 5 that its revised day-ahead gas price calculation procedures conform to the Policy Statement, the CAISO will promptly implement the tariff revisions and issue a market notice and make an informational filing with the Commission to announce their implementation.¹¹ If, on the other hand, the CAISO cannot make this determination it will, by no later than August 5, submit an appropriate filing seeking alternative relief (for example, another petition for limited tariff waiver, a tariff amendment to delete the tariff revisions, or some other filing).

¹⁰ See, e.g., *N.Y. Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,061, at P 19 (2014); *PJM Interconnection, L.L.C.*, 146 FERC ¶ 61,041, at P 5 (2014); *ISO New England, Inc.*, 134 FERC ¶ 61,182, at P 8 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,004, at P 10 (2010).

¹¹ The Commission has authorized such an approach in granting prior tariff waiver requests. See, e.g., *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,285 (2014); *Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,138 (2015).

The waiver will also remedy the concrete problem that the CAISO cannot implement the tariff revisions by July 6 because it has not yet confirmed that its use of the volume-weighted average price to calculate the day-ahead gas price satisfies the requirements of the Policy Statement. Further, the waiver will not have undesirable consequences, because it will maintain the status quo of the day-ahead gas price calculation procedures set forth in the existing tariff language. In particular, the CAISO was able to successfully utilize the manual gas price spike procedure on June 20, 2016 despite the change in ICE's publication timeline. Although this manual procedure would be difficult to utilize on a routine basis, the CAISO is confident that it can, if necessary, continue to implement it for at least the requested 30-day waiver period.

For these reasons, good cause exists to grant the CAISO's request for limited waiver of the current effective date of July 6 for the tariff revisions.¹²

¹² Pursuant to this filing, the CAISO plans to refrain from implementing the tariff revisions on July 6 unless the Commission directs the CAISO otherwise. The Commission has previously granted requests for limited tariff waiver applicable to dates prior to the date of the Commission's order. See, e.g., *N.Y. Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,061, at P 1; *Waterbury Generation LLC*, 120 FERC ¶ 61,007, at PP 1, 3 (2007).

IV. Conclusion

For the foregoing reasons, the Commission should find that good cause exists to grant a limited waiver to suspend the effectiveness of the tariff revisions regarding the revised day-ahead gas price calculation procedures that the Commission accepted in the June 1 Order, until no later than August 5, 2016.

Respectfully submitted,

Roger E. Collanton
General Counsel
Anna M. McKenna
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7222
E-mail: amckenna@caiso.com

Michael Kunselman
Bradley R. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
Tel: (202) 239-3300
Fax: (202) 654-4875
E-mail: michael.kunselman@alston.com
bradley.miliauskas@alston.com

Counsel for the California Independent System Operator Corporation

Dated: July 1, 2016

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed in the official service list for the above-referenced proceeding, 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, CA this 1st day of July, 2016.

/s/ Martha Sedgley
Martha Sedgley