

152 FERC ¶ 61,008
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Philip D. Moeller, Cheryl A. LaFleur,
Tony Clark, and Colette D. Honorable.

California Independent System Operator Corporation Docket No. ER14-2574-001

ORDER ACCEPTING FILING AND
DISMISSING REHEARING REQUEST

(Issued July 1, 2015)

1. In this order, we accept the response submitted by the California Independent System Operator Corporation (CAISO) pertaining to a discrete issue regarding the must-offer obligation for two combined use-limited resources that supply flexible resource adequacy capacity.¹ We find that CAISO's proposal, described in its response, eliminates the need for the briefings directed by the Commission in its February 25, 2015 order in this proceeding.² In addition, we dismiss as moot a request for rehearing submitted by the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities) of the Commission's October 16, 2014 order that conditionally accepted CAISO's proposed tariff revisions to implement flexible resource adequacy capacity requirements (flexible resource adequacy proposal).³

I. Background

2. In the October 2014 Order, the Commission conditionally accepted CAISO's flexible resource adequacy proposal.⁴ Relevant here, the Commission accepted, as part

¹ Flexible capacity refers to resources that can ramp up and down quickly and start and shut down potentially multiple times per day.

² *Cal. Indep. Sys. Operator Corp.*, 150 FERC ¶ 61,138 (2015) (February 2015 Order).

³ *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,042 (2014) (October 2014 Order).

⁴ *Id.* P 30. On February 24, 2015, the Commission conditionally accepted CAISO's tariff revisions submitted in compliance with the October 2014 Order, subject

(continued...)

of the proposal, must-offer obligations for resources that supply flexible resource adequacy capacity. In doing so, the Commission rejected a request by Six Cities to require CAISO to modify the applicable must-offer obligation for two combined use-limited resources⁵ that, as a pair, can satisfy the eligibility and availability requirements required for certain flexible resource adequacy capacity categories, but would not meet those requirements on an individual basis.⁶ Specifically, under the flexible resource adequacy proposal accepted by the Commission, two use-limited resources that could not otherwise satisfy the flexible resource adequacy eligibility requirements may be combined to provide flexible capacity as a pair of resources. However, under the must-offer obligation, each resource in the pair would be obligated to submit economic bids for the full amount of their designated flexible resource adequacy capacity, despite the fact that the pair of resources would only receive resource adequacy credit in an amount equal to the lowest designated flexible capacity value for one of the resources in the pair. Thus, the must-offer obligation for the pair would effectively be at least double the amount of resource adequacy capacity received. In contrast, individual resources providing flexible resource adequacy capacity are only required to submit economic bids equal to the amount of resource adequacy capacity credit received.⁷

3. On November 14, 2014, Six Cities filed a request for rehearing of the October 2014 Order in which it argued that the must-offer obligation exposes use-limited resources to the risk of violating use limitations or incurring non-availability penalties, and dilutes the benefits of permitting combined resources. Further, Six Cities argued the

to additional compliance. *Cal. Indep. Sys. Operator Corp.*, 150 FERC ¶ 61,137 (2015). On March 26, 2015, CAISO submitted tariff revisions in a further compliance filing in Docket No. ER14-2574-004; CAISO's tariff revisions were accepted for filing. *Cal. Indep. Sys. Operator Corp.*, Docket No. ER14-2574-004 (June 3, 2015) (delegated letter order).

⁵ A use-limited resource is a resource that, due to design considerations, environmental restrictions on operations, cyclical requirements, such as the need to recharge or refill, or other non-economic reasons, is unable to operate continuously.

⁶ October 2014 Order, 149 FERC ¶ 61,042 at PP 100-101. For example, in order to be eligible to provide base ramping flexible resource adequacy capacity, a resource must (1) be able to provide a minimum of six hours of energy per day, (2) be capable of being available seven days per week, and (3) be able to provide a minimum of two starts per day, every day of the month, or 60 starts per month. CAISO Tariff, § 40.10.3.2(a).

⁷ October 2014 Order, 149 FERC ¶ 61,042 at P 21; *see also* CAISO Tariff, § 40.10.3.2(b)(3).

must-offer obligation for combined use-limited resources limits the resources' operational flexibility and provides CAISO with significantly more flexible capacity than is recognized. To illustrate its point, Six Cities provided an example whereby a 15 MW and a 20 MW use-limited resource combine to provide flexible capacity. Under the current tariff, the combined resources would be afforded 15 MW flexible capacity credit, but would be required to bid the entire 35 MW of their combined capacity. Moreover, Six Cities asserted that, under the must-offer requirements, CAISO could use all the available starts for the combined units well before the end of any given month, leaving CAISO without needed flexible capacity for the remainder of the month.⁸

4. Six Cities asserted that the must-offer obligation should be commensurate with the level of flexible resource adequacy credit received by a combination of resources, and the scheduling coordinator for such resources should be able to satisfy the obligation by submitting economic bids for either resource up to the designated level of flexible resource adequacy credit received. Accordingly, Six Cities requested that the Commission require CAISO to modify the flexible resource adequacy must-offer obligation in the manner described by Six Cities.⁹

5. In the February 2015 Order, the Commission found that it would benefit from additional information in its consideration of this matter and initiated briefing procedures to obtain information about (1) CAISO's ability to dispatch the flexible resource adequacy capacity of combined use-limited resources, (2) CAISO system changes that would be necessary to implement Six Cities' request, and (3) any other reliability impact, harm, or burden that would result from modifying the must-offer obligation as requested. The Commission directed interested parties to file briefs within 30 days, with reply briefs due 21 days thereafter.¹⁰

6. On March 20, 2015, CAISO and Six Cities jointly submitted a motion requesting deferral of the briefing schedule to allow additional time to develop tariff language that would resolve the concerns raised by Six Cities. On March 26, 2015, the Commission granted the motion. On April 10, 2015, CAISO submitted a filing in response to the February 2015 Order proposing an alternative course of action, as described below.

⁸Six Cities November 14, 2014 Request for Rehearing at 4-7 (Six Cities Rehearing Request).

⁹ *Id.* at 8-9.

¹⁰ February 2015 Order, 150 FERC ¶ 61,138 at PP 13-15.

II. CAISO Proposal and Responsive Pleadings

7. CAISO states that it coordinated with Six Cities to prepare a response to the Commission's order initiating briefing procedures and the parties were able to develop a proposal to address must-offer obligations for combined use-limited resources that would address Six Cities' concerns. CAISO states that if the Commission accepts the response in lieu of CAISO submitting a brief, then CAISO will file tariff revisions in a subsequent compliance filing to (1) limit the must-offer obligation of a combined use-limited resource to the flexible capacity amount reflected for the combination on the monthly flexible resource adequacy capacity plan; and (2) revise the tariff to add a provision that allows either resource in the combination to meet the must-offer obligation, with the requirement that only one resource in the combination may submit bids each day.¹¹

8. CAISO states that, under its proposal, in conjunction with these tariff revisions, it will also remove the tariff provisions that require both resources in the combination to bid the full amount of the flexible capacity commitment of the combined resource, and instead replace it with a provision that allows either resource to meet the bidding requirement. CAISO states that requiring only one of the resources in the combination to submit bids on each day would maintain consistency with the obligation of other flexible resource adequacy capacity resources.¹²

9. On April 27, 2015, Six Cities submitted comments in support of CAISO's revised proposal. Six Cities state that the proposal described in CAISO's response will address the concerns raised in Six Cities' request for rehearing by providing for must-offer obligations commensurate with the level of flexible resource adequacy credit received by a combined use-limited resource. Six Cities also notes that their rehearing request will become moot upon Commission acceptance of CAISO's revised proposal.¹³

III. Commission Determination

10. We accept CAISO's response describing the proposed tariff revisions in lieu of submitting briefs, as directed in the February 2015 Order. We find that the revised proposal described by CAISO addresses the concerns raised by Six Cities. Further, this approach is consistent with the must-offer obligation for other flexible resource adequacy resources, which are only required to submit economic bids up to the level of their

¹¹ CAISO April 10, 2015 Filing at 1, 3-4.

¹² *Id.* at 4.

¹³ Six Cities April 27, 2015 Comments at 2.

flexible resource adequacy credit. Our acceptance of CAISO's response describing their proposal to address Six Cities concerns supersedes the need for parties to submit briefs on this issue. Accordingly, we accept CAISO's commitment to submit tariff revisions that (1) limit the must-offer obligation of a combined use-limited resource to the flexible capacity amount reflected for the combination on the monthly flexible resource adequacy capacity plan; and (2) revise the tariff to add a provision that allows either resource in the combination to meet the must-offer obligation, with the requirement that only one resource in the combination may submit bids each day. We direct CAISO to file the proposed tariff revisions in a compliance filing due within 15 days of the date of this order.

11. In addition, because the proposal described by CAISO fully addresses the concerns raised by Six Cities in its rehearing request, we find that Six Cities' rehearing request is moot and therefore dismiss it.

The Commission orders:

(A) CAISO is hereby directed to submit a compliance filing within 15 days of the date of this order, as discussed in the body of this order.

(B) Six Cities' request for rehearing is hereby dismissed as moot, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.