

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

Powerex Corp.)	
)	
v.)	Docket No. EL14-59-000
)	
California Independent System Operator Corporation)	

**INFORMATIONAL REPORT OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
ON THE STATUS OF THE PRICING ENHANCEMENTS INITIATIVE**

The California Independent System Operator Corporation (“CAISO”) files this informational report pursuant to the Commission’s October 22, 2014, order in this proceeding.¹

I. Background

The October 22 order denied a complaint filed by Powerex Corp. (“Powerex”) concerning imbalance energy charges that Powerex incurred when it did not deliver energy in real-time consistent with its day-ahead energy schedule due to an outage of the Pacific DC Intertie. Specifically, the Commission denied Powerex’s request that the CAISO be directed to hold Powerex harmless under section 14.1 of the CAISO tariff on the theory that this outage – and Powerex’s resulting failure to deliver energy – were caused by an “uncontrollable force,” as the term is defined under the CAISO tariff provision on force majeure.²

¹ *Powerex Corp. v. Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,065 (2014).

² *Id.* at PP 28-30.

In response to a request by Powerex that the CAISO be directed to complete an administrative pricing stakeholder process the CAISO had previously committed to undertake regarding the tariff treatment of system emergencies and force majeure, the Commission noted the CAISO's explanation that it had resumed the administrative pricing stakeholder process under a new name, the pricing enhancements initiative.³ The Commission stated that it was "important that this initiative . . . resolve the interplay between the Uncontrollable Force provision in section 14.1 and CAISO's settlement rules of its tariff."⁴ The Commission directed that, if the stakeholder process was not concluded before July 31, 2015, the CAISO must "file an informational report regarding the status of the stakeholder process" that "include[s] a description of the discussion with respect to the applicability of the Uncontrollable Force provision to dates and outages and planned next steps."⁵ This informational report satisfies this Commission directive.

II. Informational Report

Like other CAISO stakeholder processes, the administrative pricing component of the pricing enhancements initiative includes two successive parts – a stakeholder process to develop the policy to be implemented, followed by a stakeholder process to develop the tariff revisions needed to implement that policy.

³ *Id.* at PP 22, 31.

⁴ *Id.* at P 31.

⁵ *Id.* The Commission stated that the report would be for informational purposes only and would not require Commission action, nor would a notice of filing be issued with respect to the report. *Id.* at P 31 n.73.

The policy-development portion of the Pricing Enhancement initiative was completed in 2014. It included a series of discussions between the CAISO and stakeholders on a number of topics, including the applicability of the uncontrollable force provision in tariff section 14.1 to derates and outages as well as revisions to the CAISO's settlement rules to reflect the administrative pricing changes addressed in the initiative.⁶

The policy resolution of these discussions was that the CAISO clarified the differences between system emergencies, market suspension, and force majeure (*i.e.*, uncontrollable force). The CAISO also made clear that to the extent that tariff section 14.1 provides relief for the failure to fulfill an obligation due to the occurrence of an uncontrollable force (such as a derate or outage beyond a market participant's control), that relief is strictly limited to protection against the CAISO finding the market participant in default of the tariff. As a result, the market participant remains financially responsible for settlement consequences and there is no provision in the tariff that relieves the market participant from the financial consequences in such circumstances. The CAISO committed to clarify in tariff section 14.1 that the occurrence of an uncontrollable force will not excuse any financial obligations of market participants.

⁶ See Pricing Enhancements Issue Paper and Straw Proposal at 11 (July 1, 2014); CAISO Presentation on Pricing Enhancements Issue Paper and Straw Proposal at slides 5, 9 (July 10, 2014); Stakeholder Comments Matrix – Pricing Enhancements Issue Paper and Straw Proposal, *passim* (Sept. 26, 2014); Pricing Enhancements Revised Straw Proposal at 17-19 (Sept. 26, 2014); CAISO Presentation on Pricing Enhancements Revised Straw Proposal at slides 4, 9-13 (Oct. 3, 2014); Stakeholder Comments Matrix – Pricing Enhancements Revised Straw Proposal, *passim* (Oct. 30, 2014); Pricing Enhancements Final Proposal at 20-24 (Oct. 30, 2014); CAISO Presentation on Pricing Enhancements Final Proposal at slides 4, 6 (Nov. 6, 2014). These materials are available on the CAISO website page concerning the pricing enhancements initiative, <http://www.caiso.com/informed/Pages/StakeholderProcesses/PricingEnhancements.aspx>.

The pricing enhancements initiative also involved developing specific administrative pricing rules that cover intermittent market disruption, lengthier market disruptions, such as what occurs during a market model update, and administrative pricing rules in cases where the CAISO suspends the market and sets an administrative price.⁷ Finally, the CAISO is also proposing non-substantive changes to streamline and clarify the CAISO's emergency tariff authority.

The portion of the pricing enhancements initiative to develop the tariff revisions began in 2015 and is ongoing.⁸ The next step is for the CAISO to publish a second draft version of the tariff that will help stakeholders distinguish among the various changes in August 2015. This document will show the differences between existing tariff language and the draft tariff revisions and will include bracketed explanations of the differences, as well as information identifying instances where a provision is simply being relocated. Stakeholders will have an opportunity to provide written comments and proposed edits, and the CAISO will hold a stakeholder conference call to discuss the document and the comments. The CAISO will then consider the stakeholder comments and determine whether it is appropriate to post a further revised draft of the tariff revisions or hold another stakeholder conference call.

⁷ Pricing Enhancements Final Proposal, *supra* note 6, at 20-24.

⁸ See Draft Tariff Language – Administrative Pricing Rules (June 3, 2015); Comparison Table – Administrative Pricing Rules Provisions (June 3, 2015); Stakeholder Comments on Administrative Pricing Rules – Draft Tariff Language (June 17 and July 8, 2015). These materials are available on the CAISO website page cited in footnote 6.

The proposed administrative pricing functionality is targeted for implementation in the spring of 2015. The CAISO anticipates it will file the tariff revisions for Commission consideration in the fourth quarter of 2015.

Respectfully submitted,

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Dated: July 27, 2015

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, 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 Washington D.C. this 27th day of July, 2015.

/s/ Bradley R. Miliauskas
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