



March 26, 2015

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket Nos. ER14-2574-002 and ER14-2574-003
Compliance Filing -- Flexible Resource Adequacy Capacity Requirement
Amendment**

Dear Secretary Bose:

The California Independent System Operator Corporation ("CAISO") submits this filing in compliance with the Federal Energy Regulatory Commission's February 24, 2015 Order¹ that accepted the CAISO's prior compliance filing in this matter and directed the CAISO to further clarify that use-limited resources are exempt from the must-offer obligation for ancillary services capacity in the real-time market and to correct the etariff submission of tariff Sections 40.10.1 and 43.4.

I. Background

In this proceeding, the CAISO submitted proposed tariff modifications to (1) expand its resource adequacy requirements with provisions for resources to provide flexible resource adequacy capacity, (2) establish must offer obligations to ensure that the flexible resource adequacy capacity is economically bid into the CAISO markets and can be optimally dispatched, and (3) extend its capacity procurement mechanism to allow backstop procurement of flexible capacity in the event of a cumulative deficiency.

By Order dated October 16, 2014, the Commission accepted the proposed tariff revisions, subject to requirement that the CAISO submit a compliance filing to: (1) clarify that the tariff provision requiring monthly flexible capacity plans functions as an information submission requirement and not a procurement obligation; (2) explain how the CAISO will allocate changes in flexible capacity needs due to application of the forecast adjustment; (3) permit combinations of use-limited resources to provide peak and super-peak flexible ramping capacity; (4) remove the prior bid requirement from provision for calculating resources' effective flexible capacity values; (5) clarify the

¹ *California Indep. Sys. Operator Corp.*, 150 FERC ¶ 61,137 (2015) (February 24 Order)

calculation of effective flexible capacity for combined heat and power resources; (6) establish a limited exception for use-limited resources from the ancillary services must-offer obligation; (7) revise the tariff definition of flexible resource adequacy capacity; and (8) make minor administrative changes.²

On November 17, 2014, the CAISO submitted the required compliance filing. As part of that compliance filing, the CAISO revised the must-offer obligation for flexible capacity in Section 40.10.6.1(e) to delete the requirement that a use-limited resource shown as flexible capacity must submit ancillary services bids for its capacity certified to provide ancillary services. The CAISO also revised the eligibility criteria for use-limited resources to provide flexible capacity.³ The CAISO removed the requirement that use-limited resources meet the general eligibility criteria in each flexible capacity category that the resource be capable of submitting economic bids for ancillary services that are not flagged as contingency only in the day-ahead market.⁴

On December 8, 2014, the California Department of Water Resources State Water Project filed comments on the compliance filing requesting further modifications to expressly state in the tariff language that use-limited resources are exempt from the ancillary services bid requirement in the real-time market.

In the February 24 Order, the Commission conditionally accepted the CAISO's compliance filing, effective November 1, 2014, subject to a further compliance filing to clarify that use-limited resources are exempt from the must-offer obligation to bid ancillary services in the real-time market and to revise Section 40.10.1 and 43.4 to include the correct provisions in eTariff. The Commission directed the CAISO to submit the compliance filing within 30 days of the date of the February 24 Order.

II. Proposed Tariff Modifications on Compliance

Pursuant to the Commission's February 24 Order, the CAISO proposes to make the following tariff changes in this compliance filing:

- The CAISO is modifying the eligibility criteria for the three flexible capacity categories to expressly state that use-limited resources are not required to submit bids for ancillary services in the real-time market, and to correct typographical errors.

Section 40.10.3.2(b)(1) – Base Ramping Resources

A Use-Limited Resource may be included in this category if it meets the criteria in Section 40.10.3.2(a), except that use-limited resources providing

² *California Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,042 (2014).

³ Sections 40.10.3.2(b)(1), 40.10.3.3(b)(1) and 40.10.3.4(b)(1).

⁴ Sections 40.10.3.2(a)(1), 40.10.3.3(a)(1) and 40.10.3.4(a)(1).

Flexible RA Capacity are not required to submit bids for Ancillary Services ~~bids~~ in the Day-Ahead Market **or the Real-Time Market.**

Section 40.10.3.3(b)(1) – Peak Ramping Resources

A Use-Limited Resource may be included in this category if it meets the criteria in Section 40.10.3.3(a), except that use-limited resources providing Flexible RA Capacity are not required to submit bids for Ancillary Services ~~bids~~ in the Day-Ahead Market **or the Real-Time Market.**

Section 40.10.3.4(b)(1) – Super-Peak Ramping Resources

A Use-Limited Resource may be included in this category if it meets the criteria in Section 40.10.3.4(a), except that use-limited resources providing Flexible RA Capacity are not required to submit bids for Ancillary Services ~~bids~~ in the Day-Ahead Market **or the Real-Time Market.**

- The CAISO is revising Sections 40.10.1 and 43.4 to include the correct revisions in eTariff. Since these revisions do not change the tariff language approved by the Commission, the CAISO will submit the correct tariff sections through eTariff rather than as proposed changes to tariff language in this compliance filing.

III. Materials Provided In This Compliance Filing

The following documents, in addition to this transmittal letter, support this filing:

- | | |
|--------------|--|
| Attachment A | Clean sheets of the currently effective tariff showing revisions described in this filing |
| Attachment B | Sheets showing, in black-line format, the changes to the currently effective tariff described in this filing |

IV. Conclusion

The CAISO respectfully requests that the Commission accept this filing as complying with the directives of the Commission's February 24 Order.

Respectfully submitted,

By: /s/ Beth Ann Burns

Roger E. Collanton

General Counsel

Anthony J. Ivancovich

Deputy General Counsel

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Dated: March 26, 2014

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the captioned 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 26th day of March, 2015.

/s/ Sarah Garcia
Sarah Garcia

Attachment A – Clean Tariff Records

Compliance Filing - Flexible Resource Adequacy Capacity Requirement Amendment

California Independent System Operator Corporation

40.10.3.2 Flexible Capacity Category-- Base Ramping Resources

- (a) **Resource Criteria.** Base ramping resources must meet all of the following criteria, except as provided in Sections 40.10.3.2(b) and (c) --
- (1) The resource must be capable of providing Flexible RA Capacity to the CAISO Markets through Economic Bids for Energy and Economic Bids for Ancillary Services that are not flagged as Contingency Only in the Day-Ahead Market, if and to the extent the resource is certified to provide Ancillary Services, submitted daily for the 17-hour period from 5:00 a.m. through 10:00 p.m.;
 - (2) The resource must be capable of providing Energy for a minimum of six hours up to its full Effective Flexible Capacity value including PMin;
 - (3) The resource must be capable of being available seven days a week;
 - (4) The resource must be able to provide the minimum of (i) two Start-Ups per day for every day of the month or sixty Start-Ups per month, or (ii) the number of Start-Ups allowed by its operational limits, including minimum up and minimum down time; and
 - (5) The resource must not have annual or monthly limitations on the number of Start-Ups or the amount of energy produced that, on a daily basis, are lower than the requirements in Section 40.10.3.2(a)(1) through (4).
- (b) **Use-Limited Resource**
- (1) A Use-Limited Resource may be included in this category if it meets the criteria in Section 40.10.3.2(a), except that use-limited resources providing Flexible RA Capacity are not required to submit bids for Ancillary Services in the Day-Ahead Market or the Real-Time Market.
 - (2) A Load Serving Entity may include in this category a combined resource consisting of two Use-Limited Resources that do not individually meet the minimum operational and availability requirements but in combination meet the criteria in Section 40.10.3.2(a).
 - (3) The Flexible RA Capacity amount for the combined resource will be less than or

equal to the lowest Effective Flexible Capacity value shown on the Resource Flexible RA Capacity Plan for a resource in the combination.

- (4) Both resources in the combination shall be subject to the must-offer obligation up to their Flexible RA Capacity amounts.
- (c) **Non-Generator Resource.** A Non-Generator Resource that elects to provide Flexible RA Capacity may be included in this category if it meets the criteria in Section 40.10.3.2(a). A Non-Generator Resource that elects to provide Flexible RA Capacity and Regulation Energy Management is not eligible to be included in this category.

40.10.3.3 Flexible Capacity Category -- Peak Ramping Resources

- (a) **Resource Criteria.** Peak ramping resources must meet all of the following criteria, except as provided in Sections 40.10.3.3(b) and (c) --
- (1) The resource must be capable of providing Flexible RA Capacity to the CAISO Markets through Economic Bids for Energy and Economic Bids for Ancillary Services that are not flagged as Contingency Only in the Day-Ahead Market, if and to the extent the resource is certified to provide Ancillary Services, which must be submitted daily for a five-hour period to be determined by the CAISO on a seasonal basis;
 - (2) The resource must be capable of providing Energy for a minimum of three continuous hours up to its full Effective Flexible Capacity value including PMin;
 - (3) The resource must be capable of being available seven days a week.
 - (4) The resource must be capable of at least one Start-Up per day; and
 - (5) The resource must not have annual or monthly limitations on the number of unit Start-Ups or the amount of energy produced that, on a daily basis, are lower than the requirements in Section 40.10.3.3(a)(1) through (4).
- (b) **Use-Limited Resource.**
- (1) A Use-Limited Resource may be included in this category if it meets the criteria in Section 40.10.3.3(a), except that use-limited resources providing Flexible RA Capacity are not required to submit bids for Ancillary Services in the Day-Ahead

Market or the Real-Time Market.

- (2) A Load Serving Entity may include in this category a combined resource consisting of two Use-Limited Resources that do not individually meet the minimum operational and availability requirements but in combination meet the criteria in Section 40.10.3.3(a).
 - (3) The Flexible RA Capacity amount for the combined resource will be less than or equal to the lowest Effective Flexible Capacity value shown on the Resource Flexible RA Capacity Plan for a resource in the combination.
 - (4) Both resources in the combination shall be subject to the must-offer obligation up to their Flexible RA Capacity amounts.
- (c) **Non-Generator Resource.** A Non-Generator Resource that elects to provide Flexible RA Capacity may be included in this category if it meets the criteria in Section 40.10.3.3(a). A Non-Generator Resource that elects to provide Flexible RA Capacity and Regulation Energy Management is not eligible to be included in this category.
- (d) **Base Ramping Resource.** A resource that meets the qualifications of the Flexible Capacity Category for base ramping resources also qualifies to be included in this category as a peak ramping resource; however, a resource that meets only the qualifications of a peak ramping resource does not qualify as a base ramping resource.

40.10.3.4 Flexible Capacity Category -- Super-Peak Ramping Resources.

- (a) **Resource Criteria.** Super-peak ramping resources must meet all of the following criteria, except as provided in Sections 40.10.3.4(b), (c) and (d) --
- (1) The resource must be capable of providing Flexible RA Capacity to the CAISO Markets through Economic Bids for Energy and Economic Bids for Ancillary Services Bids that are not flagged as Contingency Only in the Day-Ahead Market, if and to the extent the resource is certified to provide Ancillary Services, which must be submitted each weekday that is not holiday, for a five-hour period to be determined by the CAISO on a seasonal basis;
 - (2) The resource must be capable of providing Energy for a minimum of three

continuous hours up to its full Effective Flexible Capacity value including PMin;

- (3) The resource must be capable of being available on weekdays that are not holidays, as defined in the Business Practice Manual;
- (4) The resource must be capable of at least one Start-Up per day; and
- (5) The resource must be capable of responding to at least five CAISO dispatches per month, during the five-hour period of the must offer obligation, for the resource to Start-Up.

(b) **Use-Limited Resource.**

- (1) A Use-Limited Resource may be included in this category if it meets the criteria in Section 40.10.3.4(a), except that use-limited resources providing Flexible RA Capacity are not required to submit bids for Ancillary Services in the Day-Ahead Market or the Real-Time Market.
- (2) A Load Serving Entity may include in this category a combined resource consisting of two Use-Limited Resources that do not individually meet the minimum operational and availability requirements but in combination meet the criteria in Section 40.10.3.4(a).
- (3) The Flexible RA Capacity amount for the combined resource will be less than or equal to the lowest Effective Flexible Capacity value shown on the Resource Flexible RA Capacity Plan for a resource in the combination.
- (4) Both resources in the combination shall be subject to the must-offer obligation up to their Flexible RA Capacity amounts.

(c) **Non-Generator Resource.** A Non-Generator Resource may be included in this category if it meets the criteria in Section 40.10.3.4(a) and is not registered in the CAISO's Master File as a Regulation Energy Management resource.

(d) **Non-Generator Resource, Regulation Energy Management.** A Non-Generator Resource that is a Regulation Energy Management resource may be included in this category if it meets the following criteria --

- (1) The resource must be capable of providing Regulation Energy Management to

the CAISO Markets through Economic Bids for Regulation Up and Regulation Down submitted daily for a 17-hour period from 5:00 a.m. through 10:00 p.m.;

- (2) The resource shall not submit bids to provide Energy;
 - (3) The resource must be capable of being available seven days a week;
 - (4) The resource must be capable of unlimited Start-Ups per day; and
 - (5) The resource must be registered as a Non-Generator Resource providing Regulation Energy Management in the CAISO's Master File.
- (e) **Base Ramping and Peak Ramping Resources.** A resource that meets the qualifications of the Flexible Capacity Category for base ramping resources or peak ramping resources also qualifies to be included in this category as a super-peak ramping resource; however, a resource that meets only the qualifications of a super-peak ramping resource does not qualify as a base ramping resource or a peak ramping resource.

Attachment B – Marked Tariff Records

Compliance Filing - Flexible Resource Adequacy Capacity Requirement Amendment

California Independent System Operator Corporation

40.10.3.2 Flexible Capacity Category-- Base Ramping Resources

- (a) **Resource Criteria.** Base ramping resources must meet all of the following criteria, except as provided in Sections 40.10.3.2(b) and (c) --
- (1) The resource must be capable of providing Flexible RA Capacity to the CAISO Markets through Economic Bids for Energy and Economic Bids for Ancillary Services that are not flagged as Contingency Only in the Day-Ahead Market, if and to the extent the resource is certified to provide Ancillary Services, submitted daily for the 17-hour period from 5:00 a.m. through 10:00 p.m.;
 - (2) The resource must be capable of providing Energy for a minimum of six hours up to its full Effective Flexible Capacity value including PMin;
 - (3) The resource must be capable of being available seven days a week;
 - (4) The resource must be able to provide the minimum of (i) two Start-Ups per day for every day of the month or sixty Start-Ups per month, or (ii) the number of Start-Ups allowed by its operational limits, including minimum up and minimum down time; and
 - (5) The resource must not have annual or monthly limitations on the number of Start-Ups or the amount of energy produced that, on a daily basis, are lower than the requirements in Section 40.10.3.2(a)(1) through (4).
- (b) **Use-Limited Resource**
- (1) A Use-Limited Resource may be included in this category if it meets the criteria in Section 40.10.3.2(a), except that use-limited resources providing Flexible RA Capacity are not required to submit bids for Ancillary Services ~~bids~~ in the Day-Ahead Market or the Real-Time Market.
 - (2) A Load Serving Entity may include in this category a combined resource consisting of two Use-Limited Resources that do not individually meet the minimum operational and availability requirements but in combination meet the criteria in Section 40.10.3.2(a).
 - (3) The Flexible RA Capacity amount for the combined resource will be less than or

equal to the lowest Effective Flexible Capacity value shown on the Resource Flexible RA Capacity Plan for a resource in the combination.

(4) Both resources in the combination shall be subject to the must-offer obligation up to their Flexible RA Capacity amounts.

(c) **Non-Generator Resource.** A Non-Generator Resource that elects to provide Flexible RA Capacity may be included in this category if it meets the criteria in Section 40.10.3.2(a). A Non-Generator Resource that elects to provide Flexible RA Capacity and Regulation Energy Management is not eligible to be included in this category.

40.10.3.3 Flexible Capacity Category -- Peak Ramping Resources

(a) **Resource Criteria.** Peak ramping resources must meet all of the following criteria, except as provided in Sections 40.10.3.3(b) and (c) --

- (1) The resource must be capable of providing Flexible RA Capacity to the CAISO Markets through Economic Bids for Energy and Economic Bids for Ancillary Services that are not flagged as Contingency Only in the Day-Ahead Market, if and to the extent the resource is certified to provide Ancillary Services, which must be submitted daily for a five-hour period to be determined by the CAISO on a seasonal basis;
- (2) The resource must be capable of providing Energy for a minimum of three continuous hours up to its full Effective Flexible Capacity value including PMin;
- (3) The resource must be capable of being available seven days a week.
- (4) The resource must be capable of at least one Start-Up per day; and
- (5) The resource must not have annual or monthly limitations on the number of unit Start-Ups or the amount of energy produced that, on a daily basis, are lower than the requirements in Section 40.10.3.3(a)(1) through (4).

(b) **Use-Limited Resource.**

- (1) A Use-Limited Resource may be included in this category if it meets the criteria in Section 40.10.3.3(a), except that use-limited resources providing Flexible RA Capacity are not required to submit bids for Ancillary Services ~~s-bids~~ in the Day-

Ahead Market or the Real-Time Market.

- (2) A Load Serving Entity may include in this category a combined resource consisting of two Use-Limited Resources that do not individually meet the minimum operational and availability requirements but in combination meet the criteria in Section 40.10.3.3(a).
 - (3) The Flexible RA Capacity amount for the combined resource will be less than or equal to the lowest Effective Flexible Capacity value shown on the Resource Flexible RA Capacity Plan for a resource in the combination.
 - (4) Both resources in the combination shall be subject to the must-offer obligation up to their Flexible RA Capacity amounts.
- (c) **Non-Generator Resource.** A Non-Generator Resource that elects to provide Flexible RA Capacity may be included in this category if it meets the criteria in Section 40.10.3.3(a). A Non-Generator Resource that elects to provide Flexible RA Capacity and Regulation Energy Management is not eligible to be included in this category.
- (d) **Base Ramping Resource.** A resource that meets the qualifications of the Flexible Capacity Category for base ramping resources also qualifies to be included in this category as a peak ramping resource; however, a resource that meets only the qualifications of a peak ramping resource does not qualify as a base ramping resource.

40.10.3.4 Flexible Capacity Category -- Super-Peak Ramping Resources.

- (a) **Resource Criteria.** Super-peak ramping resources must meet all of the following criteria, except as provided in Sections 40.10.3.4(b), (c) and (d) --
- (1) The resource must be capable of providing Flexible RA Capacity to the CAISO Markets through Economic Bids for Energy and Economic Bids for Ancillary Services Bids that are not flagged as Contingency Only in the Day-Ahead Market, if and to the extent the resource is certified to provide Ancillary Services, which must be submitted each weekday that is not holiday, for a five-hour period to be determined by the CAISO on a seasonal basis;
 - (2) The resource must be capable of providing Energy for a minimum of three

continuous hours up to its full Effective Flexible Capacity value including PMin;

- (3) The resource must be capable of being available on weekdays that are not holidays, as defined in the Business Practice Manual;
- (4) The resource must be capable of at least one Start-Up per day; and
- (5) The resource must be capable of responding to at least five CAISO dispatches per month, during the five-hour period of the must offer obligation, for the resource to Start-Up.

(b) **Use-Limited Resource.**

- (1) A Use-Limited Resource may be included in this category if it meets the criteria in Section 40.10.3.4(a), except that use-limited resources providing Flexible RA Capacity are not required to submit bids for Ancillary Services ~~bids~~ in the Day-Ahead Market or the Real-Time Market.
- (2) A Load Serving Entity may include in this category a combined resource consisting of two Use-Limited Resources that do not individually meet the minimum operational and availability requirements but in combination meet the criteria in Section 40.10.3.4(a).
- (3) The Flexible RA Capacity amount for the combined resource will be less than or equal to the lowest Effective Flexible Capacity value shown on the Resource Flexible RA Capacity Plan for a resource in the combination.
- (4) Both resources in the combination shall be subject to the must-offer obligation up to their Flexible RA Capacity amounts.

(c) **Non-Generator Resource.** A Non-Generator Resource may be included in this category if it meets the criteria in Section 40.10.3.4(a) and is not registered in the CAISO's Master File as a Regulation Energy Management resource.

(d) **Non-Generator Resource, Regulation Energy Management.** A Non-Generator Resource that is a Regulation Energy Management resource may be included in this category if it meets the following criteria --

- (1) The resource must be capable of providing Regulation Energy Management to

the CAISO Markets through Economic Bids for Regulation Up and Regulation Down submitted daily for a 17-hour period from 5:00 a.m. through 10:00 p.m.;

- (2) The resource shall not submit bids to provide Energy;
 - (3) The resource must be capable of being available seven days a week;
 - (4) The resource must be capable of unlimited Start-Ups per day; and
 - (5) The resource must be registered as a Non-Generator Resource providing Regulation Energy Management in the CAISO's Master File.
- (e) **Base Ramping and Peak Ramping Resources.** A resource that meets the qualifications of the Flexible Capacity Category for base ramping resources or peak ramping resources also qualifies to be included in this category as a super-peak ramping resource; however, a resource that meets only the qualifications of a super-peak ramping resource does not qualify as a base ramping resource or a peak ramping resource.