



California Independent
System Operator Corporation

March 7, 2012

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

**Re: California Independent System Operator Corporation
Docket No. ER13 - ____
Tariff Amendment**

Dear Secretary Bose:

The California Independent System Operator Corporation (ISO) submits this filing to clarify certain tariff provisions relating to compensating resources providing regulation pursuant to Commission Order 755.¹ In an order dated September 20, 2012,² the Commission accepted the ISO's market design to comply with the directives of Order 755, subject to conditions. On February 27, 2013, the ISO proposed minor changes to the ISO's Order 755 tariff provisions to align them with business rules implementing the ISO's accepted market design. This filing proposes an additional conforming tariff change as well as a tariff change relating to posting information on the ISO's open access same-time information system (OASIS). The ISO requests an effective date for these tariff revisions of May 1, 2013.³

I. Background

Over the last year, the ISO has worked to develop and implement tariff revisions to comply with Order 755, which requires the ISO to compensate resources providing regulation service through (1) a capacity payment that reflects the marginal resource's

¹ *Frequency Regulation Compensation in the Organized Wholesale Power Markets*, 137 FERC ¶ 61,064 (October 2011) (Order 755); *rehearing denied* 138 FERC ¶ 61,123 (February 2012) (Order 755-A).

² *California Independent System Operator Corporation*, 140 FERC ¶ 61,206 (September 2012). The ISO submits this filing in compliance with Order No. 714, *Electronic Tariff Filings*, FERC Stats. & Regs. ¶ 31,276 (2009).

³ The ISO submits this filing pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824 and Section 35.13 of the Commission's regulations, 18 C.F.R. § 35. The ISO requests waiver of the 60 day notice requirement set forth in 18 C.F.R. § 35.15(a)(1).

opportunity costs and (2) a performance payment that reflects the quantity of regulation service actually provided by a resource when the resource accurately follows a control signal. In its September 2012 Order, FERC accepted the ISO's market design proposal to comply with Order 755, subject to a compliance filing.⁴ The ISO submitted its compliance filing in October 2012.⁵ That filing remains pending. On February 27, 2013, the ISO submitted three clarifications to its Order 755 tariff revisions, including a clarification to address the process for calculating a system mileage multiplier that will serve as a variable to establish hourly mileage requirements. Separately, the ISO filed a motion to implement its Order 755 tariff provisions on May 1, 2013. The Commission granted that motion.⁶

II. Tariff Clarifications

On February 27, 2013, the ISO submitted clarifications to its Order 755 tariff revisions, including a clarification to address the process for calculating a system mileage multiplier that will serve as a variable to establish hourly mileage requirements. The ISO will use mileage requirements to clear mileage bids and self-provisions and develop a market clearing price to calculate performance payments for resources providing regulation.⁷

Under the ISO's Order 755 tariff provisions, the ISO will calculate an hourly system mileage multiplier by summing the total mileage from all resources over the week for a given hour and dividing that number by the regulation capacity procured for the week in that hour. The tariff language accepted by the Commission currently provides that the ISO will calculate a system mileage multiplier each week and that, for purposes of this calculation, each week start at the beginning of the hour ending 0100 on Sunday and end at the end of the hour ending 2400 the following Saturday. The ISO's February 27, 2013 tariff amendment filing requested authority to change this calculation to a rolling seven (7) day period. The ISO proposed the following change to the second paragraph of tariff section 27.1.3:

The CAISO will calculate a System Mileage Multiplier for Regulation Up by summing the total Mileage provided by all resources with Regulation Up awards each week for a corresponding hour of each Trading Day and then dividing that sum by the Regulation Up capacity procured for that week in that same hour. The CAISO will

⁴ *California Independent System Operator Corporation*, 140 FERC ¶ 61,206 (September 2012).

⁵ <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13092508>

⁶ *California Independent System Operator Corporation*, 141 FERC ¶ 61,184 (December 2012).

⁷ The ISO has provided the Commission a detailed description of its Order 755 market design. See, Order 755 Compliance Filing of the ISO - Response to Commission June 8, 2012 letter in ER12-1630. <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13024425>

calculate a System Mileage Multiplier for Regulation Down by summing the total Mileage provided by all resources with Regulation Down awards each week for a corresponding hour of each Trading Day and then dividing that sum by the Regulation Down capacity procured for that week in that same hour. For purposes of these calculations, the CAISO shall calculate each week using a rolling seven-day period. ~~each week shall start at the beginning of the hour ending 0100 on Sunday and end at the end of the hour ending 2400 the following Saturday.~~ The CAISO will use the System Mileage Multiplier to assess Mileage requirements for Regulation Up and Regulation Down capacity.

The ISO argued that this approach will create a more dynamic system mileage multiplier than the approach initially proposed by the ISO and will increase the accuracy of the ISO's system mileage multiplier used to establish mileage requirements.⁸ In connection with this proposed change, the ISO now requests authority to make a similar change to the sixth sentence of tariff section 8.2.3.1 as follows:

The CAISO shall determine the Mileage requirements in any Settlement Period based on Regulation capacity requirements as well as the Bid-in Regulation capacity for that Settlement Period. Subject to operator adjustment, the Mileage requirement for either Regulation Up or Regulation Down will reflect the minimum of (a) the product of the respective Regulation capacity requirement and the System Mileage Multiplier; (b) the average Instructed Mileage for the applicable Trading Hour from the prior seven (7) days ~~calendar week~~; or (c) the product of each resource's resource specific Mileage multiplier(s) and its Bid-in Regulation capacity summed for all resources.

In addition to the above change, the ISO proposes to change the last sentence of tariff section 8.2.3.1 to reflect that the ISO will post the average hourly instructed mileage calculated from the prior seven (7) days on OASIS. This posting will provide market participants with access to information, which supports the ISO's calculation of a system mileage multiplier and determination of mileage requirements for both regulation

⁸ See e.g., *California Independent System Operator Corporation*, 138 FERC ¶ 61,154 (March 1, 2012) at P 35: "We find CAISO's proposed revisions for implementing dynamic competitive path assessments for the day-ahead market to be just and reasonable and, therefore, accept them. We find that these revisions will improve the accuracy and efficiency of CAISO's local market power mitigation process. CAISO's use of a dynamic, rather than a quarterly, assessment of the competitiveness of certain transmission paths should produce results that more accurately reflect market conditions associated with individual transmission constraints."

up and regulation down. Under this proposal, the last sentence of section 8.2.3.1 would now read as follows:

The CAISO will also publish on OASIS the average Instructed Mileage from the prior seven (7) days for each hour of a Trading Day no later than seven (7) calendar days after the applicable Trading Day.

III. Stakeholder process

The ISO discussed its proposal to use a rolling seven (7) day calculation of instructed mileage for purposes of assessing a system mileage multiplier with stakeholders on February 20, 2013. On that conference call, stakeholders expressed support for the ISO's proposal to modify its weekly calculation of a system mileage multiplier.

IV. Effective date and waiver of 60 day notice provisions

The ISO requests that the Commission make the tariff revisions contained in this filing effective as of May 1, 2013. This timeframe is consistent with the ISO's implementation date for its Order 755 market design. In addition, acceptance of these tariff revisions by May 1, 2013 should not prejudice market participants. The ISO, therefore, asks that FERC waive the sixty (60) day notice requirement set forth in 18 C.F.R. § 35.15(a)(1).

V. Communications

Communications regarding this filing should be addressed to the following individuals, whose names should be put on the official service list established by the Commission with respect to this submittal:

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* Individuals designated for service pursuant to Rule 203(b)(3).⁹

⁹ 18 C.F.R. § 385.203(b)(3).

VI. Service

The ISO has served copies of this transmittal letter, and all attachments, on the California Public Utilities Commission, the California Energy Commission, parties with effective scheduling coordinator service agreements under the ISO tariff, and all parties listed on the official service lists in ER12-1630 and ER13-995. In addition, the ISO is posting this transmittal letter and all attachments on the ISO Web site.

VII. Attachments

The following attachments, in addition to this transmittal letter, support the instant filing:

Attachment A	Revised ISO tariff sheets that incorporate the proposed changes described above
Attachment B	The proposed changes to the ISO tariff shown in black-line format

VIII. Conclusion

The ISO requests that the Commission issue an order accepting these tariff revisions effective May 1, 2013. Please contact the undersigned if you have any questions regarding this matter.

Respectfully submitted,

By: /s/ Andrew Ulmer

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Attachment A – Clean Tariff

Order 755 Pay for Performance - Average Instructed Mileage

California Independent System Operator Corporation

Fifth Replacement FERC Electric Tariff

March 7, 2013

8.2.3.1 Regulation Service

The CAISO shall maintain sufficient resources immediately responsive to the CAISO's EMS control in order to provide sufficient Regulation service to allow the CAISO Balancing Authority Area to meet NERC and WECC reliability standards, including any requirements of the NRC by continuously balancing resources to meet deviations between actual and scheduled Demand and to maintain Interchange Schedules. The quantity of Regulation Down and Regulation Up capacity needed for each Settlement Period of the Day-Ahead Market and in each fifteen (15) minute period in Real-Time shall be determined by the CAISO as a percentage of the applicable CAISO Forecast of CAISO Demand for the Day-Ahead and Real-Time Markets. In HASP, the amount of advisory Regulation from Dynamic System Resources required for each Settlement Period in the next Trading Hour is also determined based on the CAISO Forecast of CAISO Demand. The advisory awards of Regulation from Dynamic System Resources in HASP are not binding and are re-optimized through the RTUC and RTD processes in the Real-Time Market. The CAISO's determination is based upon its need to meet the NERC and WECC reliability standards, including any requirements of the NRC.

The requirement for Regulation Down or Regulation Up needed for each Settlement Period of the Day-Ahead Market and in each fifteen (15) minute period in Real-Time shall each be accompanied by a requirement for Mileage as determined by the CAISO. The CAISO shall determine the Mileage requirements in any Settlement Period based on Regulation capacity requirements as well as the Bid-in Regulation capacity for that Settlement Period. Subject to operator adjustment, the Mileage requirement for either Regulation Up or Regulation Down will reflect the minimum of (a) the product of the respective Regulation capacity requirement and the System Mileage Multiplier; (b) the average Instructed Mileage for the applicable Trading Hour from the prior seven (7) days; or (c) the product of each resource's resource specific Mileage multiplier(s) and its Bid-in Regulation capacity summed for all resources. The CAISO will publish on OASIS the estimated quantity, or the percentage used to determine the estimated quantity, of Regulation Reserves required for each hour of the Day-Ahead Market and in each fifteen (15) minute period in Real-Time for the Trading Day.

The CAISO will publish on OASIS the estimated quantity, or the percentage used to determine the estimated quantity, of Regulation Reserves required for each hour of the Day-Ahead Market and in each

fifteen (15) minute period in Real-Time for the Trading Day. The CAISO will publish on OASIS the Mileage requirements for each hour of the Day-Ahead Market and each fifteen (15) minute period in Real-Time for the Trading Day. The CAISO will also publish on OASIS the average Instructed Mileage from the prior seven (7) days for each hour of a Trading Day no later than seven (7) calendar days after the applicable Trading Day.

Attachment B – Marked Tariff

Order 755 Pay for Performance - Average Instructed Mileage

California Independent System Operator Corporation

Fifth Replacement FERC Electric Tariff

March 7, 2013

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties listed on the official service list in the captioned 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, CA, this 7th day of March, 2013.

/s/ Sarah Garcia
Sarah Garcia