

147 FERC ¶ 61,111  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;  
Philip D. Moeller, John R. Norris,  
and Tony Clark

California Independent System Operator Corporation      Docket No. ER14-1318-000

ORDER GRANTING PETITION FOR  
LIMITED TARIFF WAIVER

(Issued May 12, 2014)

1. On February 12, 2014, the California Independent System Operator Corporation (CAISO) submitted a request for a limited, one-time waiver of section 35.2 of its tariff, which requires that price corrections for each trading day be completed no later than the fifth calendar day following the trading day. CAISO requests waiver of this price correction provision in order to correct prices for certain hours on January 9, 13, 15 and 26, 2013, which are erroneous as posted due to a defect in the software used in price calculations. In this order, we grant CAISO's limited waiver request to recalculate the prices for the identified intervals, as discussed herein.

**I. Background and CAISO's Petition**

2. CAISO states that it dispatches wind resources based on the resources' self-schedules during real-time pre-market runs.<sup>1</sup> In each five-minute interval of the real-time market, however, CAISO uses actual wind production, based upon telemetry. CAISO makes an adjustment to the forecasted output of wind resources in the real-time system to account for wind variability when there is a need to conform the projected self-schedules in the pre-dispatch market to the most current observed production of wind.

3. According to CAISO, during certain hours on January 9, 13, 15 and 26, 2013, CAISO's software detected high levels of congestion in the Birds Landing area of its system, producing congestion prices at \$1,000/MWh during some intervals.<sup>2</sup> CAISO

---

<sup>1</sup> CAISO Petition for Waiver of Tariff Provisions at 2, Docket No. ER14-1318-000 (Feb. 12, 2014) (CAISO Petition).

<sup>2</sup> *Id.* at 3.

followed its regular price validation procedures to investigate the high congestion prices within the time available, but did not identify any anomalies sufficient to consider the congestion prices invalid.<sup>3</sup>

4. Subsequently, in February of 2013, CAISO observed similar congestion and again followed its price validation process. In this instance, however, CAISO detected a defect in the software that had incorrectly accounted for wind imbalance adjustments. CAISO states that it was able to correct the February prices within the time frame set forth in its tariff. CAISO also notified the software vendor of the problem, who provided a solution that fixed the problem on a prospective basis.<sup>4</sup>

5. After detecting these software problems, CAISO again reviewed prices during the January time period in which it had observed excessive congestion charges.<sup>5</sup> CAISO determined that the software had erroneously accounted for wind imbalance adjustments in seven trading hours over four trading days between January 9 and January 26. CAISO now seeks the Commission's permission to correct the prices identified as erroneous, as set forth in Table 3A of Attachment A of its Petition.<sup>6</sup>

6. CAISO states that the total cost of the software pricing error is approximately \$6.6 million, which was largely borne by four market participants overcharged for the erroneous congestion. The resulting software error also led to excess congestion payments, primarily to three market participants, who would be required to refund the excess payments if the Commission grants the requested waiver. CAISO proposes to correct the prices identified in Table 3A of Attachment A and resettle the erroneous prices for all affected scheduling coordinators in its next regularly scheduled resettlement statement, i.e., the eighteen month resettlement statement, which will occur on July 17, 21, 22 and August 1, 2014, respectively for the affected trade dates, provided that the Commission issues an order granting the requested waiver by June 16, 2014.<sup>7</sup>

7. CAISO contends that the Commission has previously granted requests for waiver of the time limitations for price corrections in instances where (1) the failure to discover the software defect during the applicable correction period was a good faith error, (2) the

---

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* at 4.

<sup>7</sup> *Id.* at 2.

waiver request was limited in scope, (3) a concrete problem needed to be remedied, and (4) granting the waiver will prevent harm to market participants.<sup>8</sup> CAISO states that its request satisfies all four of these elements.

8. First, CAISO asserts that the pricing error was in good faith as the software defect did not manifest itself during testing prior to implementation. Moreover, CAISO argues that it anticipated a certain amount of congestion during the days covered by the waiver request, due to both a forced outage in the Birds Landing area and the general variability of wind energy. Thus, the high prices seemed plausible under the circumstances. Moreover, CAISO asserts that once the error was discovered, CAISO promptly corrected the software defect.

9. Second, CAISO states that the waiver request is limited in scope in that it applies only to seven trading hours during the four trading days.<sup>9</sup> Third, CAISO states that granting the waiver will remedy a concrete and clearly defined problem, specifically, the incorrect prices caused by the software's erroneous identification of congestion levels. Fourth, CAISO maintains that the waiver would prevent harm to market participants. CAISO notes that the Commission must balance the need for market certainty and the administrative burden caused by resettlement versus the financial impact on market participants. CAISO contends that the price correction will cause minimal administrative burden.

10. CAISO states that it does not anticipate any future waivers in connection with the software issue that led to the erroneous prices, as the defect has been corrected. CAISO views the software defect as an anomalous event as it normally is able to detect software issues leading to erroneous congestion prices within the five day price correction time horizon.

11. CAISO informed its stakeholders on August 27, 2013 of the need for the price correction and of its intention to seek a waiver with the Commission of the applicable tariff provision. None of CAISO's stakeholders that participated in the subsequent comment process opposed CAISO's decision to seek a waiver. Thus, CAISO believes that good cause exists to grant its requested waiver of section 35.2 of its tariff.

---

<sup>8</sup> *Id.* at 6.

<sup>9</sup> CAISO also notes that the error did not have a system-wide impact and only affected 60 individual pricing locations out of approximately 5,000 pricing locations, as well as several aggregated pricing locations. *Id.* at 4.

## II. Notice of Filing and Responsive Pleadings

12. Notice of CAISO's filing was published in the *Federal Register*, 79 Fed. Reg. 10,139 (2014), with interventions and protests due on or before March 5, 2014. Southern California Edison Company, Pacific Gas and Electric Company and the Northern California Power Agency submitted timely motions to intervene. No parties submitted comments objecting to CAISO's petition for waiver.

## III. Discussion

13. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

14. We find that good cause exists to grant CAISO's request for limited waiver of section 35.2 of its tariff. We find that the failure to discover the erroneous prices or the software defect within the tariff's required period for price corrections was a good faith error, and that CAISO has taken the appropriate steps to prevent the problem from recurring. We agree that the request for waiver is limited. Moreover, we find that the price corrections will prevent harm to those market participants overcharged due to the software defect, but will not unduly affect settled expectations, as evidenced by the lack of objection to CAISO's Petition. For these reasons, we grant CAISO's limited waiver request.<sup>10</sup>

### The Commission orders:

CAISO's petition for waiver to recalculate prices on January 9, 13, 15 and 26, 2013, for the hours and locations identified in Table 3A of Attachment A of the CAISO Petition, is hereby granted, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

---

<sup>10</sup> See, e.g., *New York Independent System Operator, Inc.*, 136 FERC ¶ 61,156, at PP 5, 7 (2011); *Southwest Power Pool, Inc.*, 135 FERC ¶ 61,032, at P 12 (2011); *Southwest Power Pool, Inc.*, 138 FERC ¶ 61,200, at P 5 (2012).

Document Content(s)

ER14-1318-000.DOC.....1-4