

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

**California Independent System  
Operator Corporation**

**Docket No. ER16-897-000**

**PETITION FOR LIMITED TARIFF WAIVER OF THE CALIFORNIA  
INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (CAISO)<sup>1</sup> respectfully requests a temporary suspension of the effectiveness, or limited waiver, of section 43.1 of the CAISO tariff, the entirety of section 43A of the CAISO tariff, and revisions to sections 34.11, 39.10.3, 39.10.4, and 40.4.6.2 that otherwise would have an effective date of June 1, 2016. Due to ongoing implementation issues the CAISO cannot enact either the replacement capacity procurement mechanism (CPM) or its sibling, phase 1A of the reliability services initiative, on June 1.<sup>2</sup> The CAISO accordingly requests waiver of the identified tariff provisions to November 1, 2016.

Because of the limited amount of time before the current implementation date of June 1, 2016, the CAISO respectfully requests that the Commission provide for a shortened comment period of no more than 7 calendar days from

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<sup>1</sup> The CAISO submits this petition for waiver pursuant to Rule 207 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.207. Capitalized terms not otherwise defined herein have the meanings set forth in the CAISO tariff.

<sup>2</sup> In a separate filing in Docket No. ER15-1825, the CAISO simultaneously requests a corresponding waiver to delay implementation of phase 1A of the reliability services initiative.

the date of this filing and that the Commission issue an order on this request by May 31, 2016.

**I. Background**

**A. Capacity Procurement Mechanism Replacement Tariff Filing**

On May 26, 2015, the CAISO filed proposed tariff amendments in Docket No. ER15-1783 to extend the effectiveness of its expiring CPM from February 16, 2016, through February 28, 2016, and implement the successor CPM that would apply to CPM designations effective on or after March 1, 2016. The CAISO viewed phase 1A of the reliability services initiative and the CPM replacement as sibling initiatives that were developed in parallel and intended for simultaneous implementation. On October 1, 2015, the Commission issued an order accepting those amendments.<sup>3</sup>

On February 4, 2016, the CAISO filed revised tariff language in Docket No. ER16-897 to extend the duration of the CAISO's otherwise expiring CPM from February 28, 2016 to March 31, 2016, and implement the new CPM for designations effective on or after April 1, 2016. Based on party comments and events that occurred after the February 4 filing, the CAISO indicated in a February 18, 2016, answer to comments that it would be appropriate to further delay implementation to May 1, 2016. On February 24, 2016, the Commission approved the proposed shift in implementation to May 1,<sup>4</sup> subject to a further

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<sup>3</sup> *California Indep. Sys. Operator Corp.* 153 FERC ¶ 61,001 (2015) (October 2015 CPM order).

<sup>4</sup> *California Indep. Sys. Operator Corp.* 154 FERC ¶ 61,132 (2016).

compliance filing formally revising the effective date of the relevant tariff provisions. The CAISO made that compliance filing on March 10, 2016.

On April 20, 2016, in Docket No. ER16-897, the CAISO filed a waiver requesting that the Commission suspend the effectiveness until June 1, 2016, of the CPM tariff provisions covered by the CAISO's March 10 compliance filing. On April 29, 2016, the Commission approved a June 1 effective date for the successor CPM,<sup>5</sup> subject to a further compliance filing formally revising the effective date of the relevant tariff provisions. The CAISO made its additional compliance filing in Docket No. ER16-897 on May 11, 2016.

#### **B. Reliability Services Phase 1A Tariff Filing**

On May 29, 2015, the CAISO filed proposed tariff modifications in Docket No. ER15-1825 to implement phase 1A of the two-phase reliability services initiative. Phase 1A focused on enhancing and streamlining the CAISO's rules and processes regarding resource adequacy to meet the needs of an increasingly dynamic power grid. On October 1, 2015, the Commission issued an order conditionally accepting those amendments.<sup>6</sup>

On February 4, 2016, the CAISO filed in docket no. ER15-1825 a petition for limited waiver (and also on February 4, an errata to that petition) of the reliability services initiative phase 1A tariff provisions with a March 1, 2016, effective date. The waiver requested that the Commission suspend the effectiveness of the modifications with a March 1, 2016, effective date until April

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<sup>5</sup> *California Indep. Sys. Operator Corp.* 155 FERC ¶ 61,117 (2016).

<sup>6</sup> *California Indep. Sys. Operator Corp.* 153 FERC ¶ 61,002 (2015) (October 2015 RSI order).

1, 2016. Based on party comments and events that occurred after the February 4 filing, the CAISO indicated in a February 18, 2016, answer to comments that it would be appropriate to further delay implementation to May 1, 2016. On February 24, 2016, the Commission approved a May 1 effective date,<sup>7</sup> subject to a further compliance filing formally revising the effective date of the relevant tariff provisions. The CAISO made that compliance filing on March 10, 2016.

On April 20, 2016, again in Docket No. ER15-1825, the CAISO filed an additional waiver requesting that the Commission suspend the effectiveness until June 1, 2016, of the reliability services initiative phase 1A tariff provisions covered by the CAISO's March 10 compliance filing. On April 29, 2016, the Commission approved a June 1 effective date for reliability services initiative phase 1A,<sup>8</sup> subject to a further compliance filing formally revising the effective date of the relevant tariff provisions. The CAISO made its additional compliance filing in Docket No. ER15-1825 on May 11, 2016.

## **II. Continuing Implementation Complications**

The CAISO's April 20 filing in this proceeding explained that June 1 implementation for the paired CPM and reliability services phase 1a initiatives would be contingent on successful execution of the structured market simulation scenarios with sufficient time for market participants to validate simulated settlement statements produced as part of the market simulation. The CAISO has determined that these milestones cannot be met before June 1.

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<sup>7</sup> *California Indep. Sys. Operator Corp.* 154 FERC ¶ 61,131 (2016).

<sup>8</sup> *California Indep. Sys. Operator Corp.* 155 FERC ¶ 61,116 (2016).

Accordingly, the CAISO has determined that implementation on June 1 unfortunately is no longer feasible.<sup>9</sup>

Through a market notice issued on May 10, 2016, the CAISO informed its market participants that the third week of structured market simulation scenarios would be postponed.<sup>10</sup> The third week of simulation focused on the intra-monthly competitive solicitation process that would be used to award exceptional dispatch CPM and significant event CPM designations. The optimization used for the intra-monthly is more complicated than the annual or monthly processes because it involves solving for more constraints and thus more complexity. For example, where the CAISO needs to issue an exceptional dispatch CPM identifying the lowest-cost option among the resources that could meet the reliability need involves considering more factors than need to be considered in properly executing the annual or monthly processes. The optimizations for the annual and monthly processes have their own complexities and resolving the issues posed by them largely drove the need for the prior suspension of the market simulation. In those instances, the CAISO did not identify the critical variances in the software prior to opening the market simulation and had to halt the market simulation once that particular round of the simulation process had already begun. Those issues have largely been addressed. In the case of the delay announced on May 10, the CAISO was able to identify variances in advance of

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<sup>9</sup> The CAISO first informed the Commission of this delay in its May 11 compliance filing.

<sup>10</sup> The market notice is available at the following link:  
<http://www.caiso.com/Documents/Early2016ReleaseWeekThreeMarketSimulation-ProductionActivationPostponed-CallToday051016.html>.

the third week of simulation that would have prevented the third week of simulation scenarios from being run effectively. The CAISO thus made the decision to postpone the third week of structured scenarios before that round of simulation opened, with the understanding that such a delay would make June 1 implementation infeasible.

The CAISO's April 20 filing in this proceeding also contemplated that if a further delay beyond June 1 were necessary, then the CAISO likely would further seek to delay implementation until November 1, 2016, rather than July 1 or some other intermediate date. For the reasons stated in the April 20 filing, now that a delay past June 1 is necessary,<sup>11</sup> that further implementation delay until November 1, 2016 is necessary. In summary, a key element of the reliability services phase 1A initiative is the new resource adequacy availability incentive mechanism (RAAIM). There is an initial two-month advisory period during which "the CAISO will calculate and publish the Availability Incentive Payments and Non-Availability Charges on Settlement Statements but will not include those payments and charges on Invoices for financial settlement."<sup>12</sup> For operational reasons, the CAISO has serious operational concerns over having that two-month advisory period fall during the months of August, September, or October. The CAISO accordingly now requests further implementation delay until November 1, 2016.

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<sup>11</sup> April 20 filing at 5-7.

<sup>12</sup> CAISO tariff, section 40.9.1.

Although the CAISO is seeking a further delay of five months, it plans to address the identified variances and complete the market simulation as soon as feasible. Were it not for the operational factors identified above regarding the RAAIM advisory period, the CAISO foresees that it would be capable of deploying the reliability services phase 1A and CPM initiatives well in advance of November 1.

### **III. Petition for Waiver**

Good cause exists for the Commission to grant a limited waiver to suspend until November 1, 2016, the effectiveness of section 43.1 of the CAISO tariff, the entirety of section 43A of the CAISO tariff, and the revisions to sections 34.11, 39.10.3, 39.10.4, and 40.4.6.2 that have an effective date of June 1, 2016.

The Commission previously has granted requests for tariff waivers in situations where (1) the waiver is of limited scope; (2) a concrete problem needs to be remedied; and (3) the waiver did not have undesirable consequences, such as harming third parties.<sup>13</sup> This waiver petition meets all three conditions.

The waiver is of limited scope in that it will apply until November 1, 2016, and the CAISO has detailed above its plan for working diligently with stakeholders to meet this revised implementation date. The waiver also will remedy a concrete problem – the CAISO’s inability to implement the tariff provisions in question effectively on June 1, 2016, because additional time is needed for testing and addressing any software variances highlighted through

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<sup>13</sup> See, e.g., *N.Y. Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,061, P 19 (2014); *PJM Interconnection, L.L.C.*, 146 FERC ¶ 61,041, P 5 (2014); *ISO New England, Inc.*, 134 FERC ¶ 61,182, P 8 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,004, P 10 (2010).

that testing. Additionally, given the delays to date in the market simulation procedures, the CAISO does not believe that market participants necessarily would be prepared to begin operating under the procedures on June 1. Further, the waiver will not have undesirable consequences because granting the waiver merely would maintain the status quo for a relatively brief period of time while the CAISO and its market participants undertake the necessary rounds of market simulation and other final pre-implementation steps. Rather, this waiver will avoid undesirable consequences by ensuring a production-worthy project is implemented in a way that accounts for important reliability concerns. Therefore, good cause exists to grant the CAISO's request for limited waiver of the current effective date of June 1 for the tariff revisions covered by this request.

#### **IV. Request for Shortened Comment Period**

Because of the limited amount of time before the current effective date of June 1, 2016, the CAISO respectfully requests that the Commission provide for a shortened comment period regarding this petition for limited tariff waiver of no more than 7 calendar days from the date of this filing.

#### **V. Conclusion**

For the foregoing reasons, the Commission should find that good cause exists to grant a limited waiver to permit the revised CPM and phase 1A of the reliability services initiative, which otherwise would become effective as of June 1, 2016, to be implemented on November 1, 2016.

Respectfully submitted,

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Dated: May 17, 2016

## 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 Washington, DC, this 17th day of May, 2016.

/s/ Daniel Klein  
Daniel Klein