

allocating flexible capacity need to a load-following metered subsystem that is a load-serving entity under the resource adequacy program; and (4) add to the tariff a new three-step resource adequacy availability incentive mechanism (“RAAIM”) that will replace the existing standard capacity product mechanism.

Relevant for the purposes of the rehearing request, the RSI tariff amendments revised the tariff provisions regarding the timeline for unit substitution. The existing standard capacity product tariff provisions generally require a scheduling coordinator that has a forced outage or de-rate that would count against its availability calculation to request to provide resource adequacy substitute capacity from an alternate resource prior to the close of the day-ahead market for the next trading day.² The tariff revisions included this day-ahead deadline because the CAISO had been using a manual process to evaluate and approve substitution requests. In accordance with Section 8.7.2 of the Reliability Requirements business practice manual and Section 6.2.4 of the Market Participant User Guide Resource Adequacy Availability Management (“RAAM”), scheduling coordinators requesting day-ahead substitution must submit the substitution request no later than 6:00 a.m. on the day before the substitution. The reason for the 6:00 a.m. deadline is that the CAISO had needed to evaluate and approve substitution requests manually. This manual evaluation and approval process takes time, particularly when the CAISO faced a multitude of substitution requests. As described in existing tariff section 40.9.4.2.1, the CAISO must assess, among other things, whether the alternate resource (1) meets all of the requirements of tariff section 40.9.4.2.1(b), (2)

² Existing tariff sections 40.9.4.2.1(c)-(f). The exception to this general rule is that a scheduling coordinator for a local capacity area resource adequacy resource may pre-qualify an alternative resource and submit a substitution request for such a resource prior to or in real-time. See existing tariff sections 40.9.4.2.1(c)(1), 40.9.3.2.1(e).

has adequate deliverable capacity to provide substitute capacity, and (3) meets the CAISO's operational and effectiveness needs. Obviously, if the CAISO allowed scheduling coordinators to wait until 9:59 a.m. to submit substitution requests, the CAISO would be unable to process such requests prior to the day-ahead market.

As the CAISO indicated in its RSI filing, during the underlying stakeholder process, some stakeholders commented that this general deadline for requesting to provide resource adequacy substitute capacity is unnecessarily early in light of the automated process the CAISO now uses.³ The CAISO agreed with these comments. Accordingly, the CAISO proposed to revise its tariff to provide that requests for day-ahead substitution must be submitted prior to the timeline that will be specified in the business practice manual and approved by the CAISO to be included in the day-ahead market for the next trading day. The CAISO stated that its timeline would give scheduling coordinators enough time to prepare and submit required bids prior to the day-ahead market run and provide the CAISO with sufficient time to evaluate the substitute capacity.⁴ The Commission accepted the CAISO proposal in the October 1 Order.

The CAISO is in the process of developing the (revised) BPM provisions that will apply in connection with the new RAIM. In particular, the CAISO will propose in the BPM change management process that requests for substitution in the day-ahead market under the RAIM be submitted prior to 8:00 a.m.⁵ Compared to the deadline in

³ Transmittal Letter at 52-53 (May 29, 2015).

⁴ *Id.* at 53.

⁵ New tariff section 40.9.3.6(c)(1). The business practice manual will establish a deadline of 8:00 a.m. Requests for substitution in the day-ahead market submitted at or after 8:00 a.m. and approved by the CAISO will be included in the day-ahead market for the second trading day. *Id.*

effect today, this provides additional time – two more hours – for suppliers to request to provide resource adequacy substitute capacity and prepare and submit required bids prior to the day-ahead market run, while still giving the CAISO sufficient time to evaluate the substitute capacity. Rather than requiring that this deadline be reflected in the tariff, the October 1 order allows the CAISO to specify this timeline in the business practice manual.⁶

II. ANSWER

NRG challenges the Commission’s approval of the tariff revision providing that the substitution deadline will appear in the business practice manual. NRG claims that “the CAISO has not provided any evidence why imposing an arbitrarily more stringent guideline through the BPM and not through a tariff change, is just and reasonable.”

As discussed above, the CAISO is not proposing a more stringent deadline than applies today. The current deadline for scheduling coordinators to submit day-ahead substitution requests is 6:00 a.m. the day before the applicable trading day. The CAISO is now moving the deadline to 8:00 a.m. Thus, contrary to NRG’s worries,⁷ market participants will have more, not less, time to make a substitution. The proposal reduces the burden on scheduling coordinators for generating resources. Contrary to NRG’s claim, nowhere does the tariff, business practice manual, or RAAM user guide state that the deadline for submitting a day-ahead substitution request is 10:00 a.m., and in practice the CAISO does not apply such a deadline. If it did, there would not be sufficient time to process and implement substitution requests.

⁶ New tariff section 40.9.3.6(c)(2).

⁷ Rehearing Request at 4.

NRG's concern about placing the deadline in the BPM⁸ rather than the tariff is unwarranted. As noted, the actual deadline currently is specified in the business practice manual/RAAM user guide. Under the proposal approved by the Commission, the actual deadline will remain in the business practice manual/RAAM user guide. The only difference in terms of structure is that the tariff is now clearer about the location of the deadline.

Going forward, it is particularly important to specify the substitution deadline in the business practice manual/RAAM user guide for several reasons. First, the CAISO has no actual experience with the new deadline, and actual experience may require (or enable) it to be adjusted. Second, in the RSI tariff amendment, the CAISO made significant changes to its unit substitution rules. The CAISO does not yet have experience evaluating and implementing substitution requests under these new rules. Third, as a result of Commission approval of the RAIM, the CAISO will now allow substitution for flexible resource adequacy capacity. Compared to today, this will result in increased opportunities for substitution and a new set of requirements the CAISO must apply. All of these reasons support the need for flexibility and the ability of the CAISO to timely adjust the deadline if it turns out to be problematic (or if the CAISO discovers that it can move the deadline nearer to the close of the day-ahead market, thereby providing more time to scheduling coordinators). The CAISO should not be forced to file a tariff amendment if it needs to adjust this implementation detail, especially when the deadline may be adjusted by minor increments. That could prevent the CAISO from making necessary and appropriate adjustments in a timely manner.

⁸ *Id.*

NRG's argument that the deadline significantly affects terms and conditions of service is also misguided. It contends that if a scheduling coordinator's generator resource suffers a forced outage after 6:00 a.m. (which will be 8:00 a.m. upon implementation of RSI), the scheduling coordinator will be unable to submit a substitution request and will be exposed to penalties. Whether there is an assessment is not determined by whether an outage occurs before or after the deadline, but whether the scheduling coordinator fulfills its responsibilities for outages that occur before the deadline. The deadline itself is just an implementation detail. For the same reason, the Commission's comparison of the substitution deadline to the election of metered subsystem status deadline⁹ was appropriate. In any event, the CAISO needs adequate time to process, evaluate, and approve all substitution requests and apply the criteria set forth in the tariff. It also needs flexibility to adjust the deadline if necessary. NRG offers no evidence to the contrary, nor can it.

NRG asserts that the 10:00 a.m. deadline in the tariff is clear. However, as the CAISO pointed out in its Answer to Comments and Protests ("Answer"), stakeholders do not agree:

[T]he current tariff language is problematic because it is ambiguous. It reads "prior to the close of the day-ahead market," which could mean prior to the initiation of the day-ahead market run, prior to the close of the day-ahead market, or prior to the close of any final day-ahead market if it has to be rerun. The CAISO has encountered issues where market participants have requested that the CAISO rerun the substitution process after it was initially completed due to this lack of specificity. Such requests are unfair to other market participants who complied with the intent of the deadline and disruptive to CAISO operation engineers who must run an ad hoc substitution process to accommodate the requests.¹⁰

⁹ See Rehearing Request at 6.

¹⁰ Answer at 15, n.37.

The Commission concurred that the provision was vague.¹¹ As indicated above, the tariff does not expressly specify 10:00 a.m. as the deadline, such deadline is not consistent with the CAISO's actual practice, and it is not reflected the business practice manual or RAAM user guide.

NRG's remaining argument, that the Commission erroneously found the existing tariff provision ambiguous,¹² is irrelevant. First, neither the CAISO nor the Commission characterized the change as solely a clarification. Neither the CAISO nor the Commission relied upon the concept that "to classify a change as a clarification rather than a tariff revision implies that the change has already been shown to be just and reasonable."¹³

Second, the Commission has approved a replacement provision. The Commission did not "allow[] the CAISO to implement a change through its BPM that contradicts the plain language of the tariff;"¹⁴ rather, it revised that "plain language." Thus, whether the then-existing tariff provision was ambiguous is nothing more than a historical inquiry that would not support the notion that the October 1 order merits rehearing.

¹¹ October 1 Order at P 92.

¹² *Id.* at 5.

¹³ *Id.*, citing 132 FERC ¶ 61,184 at P 36.

¹⁴ *Id.*

III. CONCLUSION

For the foregoing reasons, the CAISO requests that the Commission deny NRG's rehearing request.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service lists for the above-referenced proceedings, under the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom this 16th day of November, 2015.

Is/ Anna Pascuzzo
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