

165 FERC ¶ 61,140
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Cheryl A. LaFleur and Richard Glick.

California Independent System Operator Corporation Docket No. ER18-1169-001

ORDER ACCEPTING COMPLIANCE FILING SUBJECT TO CONDITION

(Issued November 19, 2018)

1. On July 23, 2018, California Independent System Operator Corporation (CAISO) submitted a compliance filing in response to a Commission order issued in this proceeding on June 21, 2018.¹ In the June 21 Order, the Commission accepted, subject to condition, CAISO's proposal related to opportunity cost adders, and, as discussed below, directed CAISO to make a compliance filing. In this order, we accept CAISO's compliance filing, effective April 1, 2019, subject to condition, and direct further compliance.²

I. Background

2. On March 23, 2018, CAISO filed a proposal to, among other changes, allow use-limited resources³ to be eligible for an opportunity cost adder, over and above the use-limited resources' commitment and energy bid costs. CAISO's proposal included two processes for developing the opportunity cost adder: the calculated process and the negotiated process.⁴ As relevant here, under the calculated process, CAISO proposed to calculate the opportunity costs for a resource based on the estimated market commitment

¹ *Cal. Indep. Sys. Operator Corp.*, 163 FERC ¶ 61,211 (2018) (June 21 Order).

² On October 23, 2018, the Commission granted CAISO's request to delay the effectiveness of the tariff revisions accepted in the June 21 Order from November 1, 2018 until April 1, 2019. *Cal. Indep. Sys. Operator Corp.*, 165 FERC ¶ 61,038 (2018).

³ Use-limited resources are resources with limits on energy output or numbers of starts or run-hours.

⁴ June 21 Order, 163 FERC ¶ 61,211 at P 13.

of the resource using historical 15-minute locational marginal prices (LMPs) to establish forecasted hourly LMPs.⁵ CAISO also explained in its filing that once an opportunity cost is developed using either approach, the opportunity cost will remain in place unless and until the resource's scheduling coordinator submits updated documentation, either to establish a new limitation or modify an existing one.⁶

3. In the June 21 Order accepting the proposal, subject to the compliance filing at issue here, the Commission noted that several of the underlying inputs to CAISO's proposed opportunity cost calculator are monthly values (e.g., monthly start-up, minimum load, and variable energy costs). The Commission stated that to the extent these values or forecasted LMPs change from month to month, the opportunity cost calculator would produce varying opportunity costs, even if the limitation on the resource remains the same. The Commission therefore found it appropriate for CAISO to calculate and update opportunity costs on a monthly basis as described in proposed tariff Section 30.4.1.1.6.2.1 and directed CAISO to modify proposed tariff Section 30.4.1.1.6.1.2 to address this ambiguity and clarify that the opportunity cost adder value can change based on CAISO's monthly calculations and not only based on a new or modified limit.⁷

4. In response to a concern raised by NRG Power Marketing LLC (NRG) that the proposed tariff revisions lacked sufficient details regarding how CAISO will develop the forecasted hourly LMPs used in the opportunity cost calculator, the Commission also directed CAISO to add additional detail regarding the opportunity cost methodology to tariff Section 30.4.1.1.6.2.2, consistent with the answer CAISO filed in the proceeding.⁸ The Commission stated that the additional detail should include a list of the underlying components that provide the basis for forecasted prices and a citation to the business practice manual (BPM) that contains the specific equations and other implementation details.⁹

⁵ *Id.* P 15.

⁶ *Id.* P 17.

⁷ *Id.* P 33.

⁸ *Id.* P 32 (referencing CAISO Answer at 7-8 (filed April 26, 2018) (April 26, 2018 Answer)).

⁹ *Id.*

II. Notice and Responsive Pleadings

5. Notice of CAISO's compliance filing was published in the *Federal Register*, 83 Fed. Reg. 36,585 (2018), with interventions and protests due on or before August 13, 2018. NRG filed a protest. CAISO filed an answer to NRG's protest.

III. Discussion

A. Procedural Matters

6. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2018), prohibits an answer to a protest and/or answer unless otherwise ordered by the decisional authority. We accept the answer filed by CAISO because it has provided information that assisted us in our decision-making process.

B. Substantive Matters

1. Compliance Filing

7. CAISO states that the tariff revisions in its compliance filing satisfy the compliance directives summarized above.¹⁰ CAISO proposes revisions to tariff Section 30.4.1.1.6.1.2 to make clear that it is the formula rate, not the opportunity cost bid adder values, that will remain in place unless and until the scheduling coordinator submits documentation to establish a new limitation or modify an existing limitation. CAISO explains that opportunity cost adder values for a resource can change each month under either the calculated process or the negotiated process due to changes in formula inputs. However, the formula rate itself, resulting from either the calculated process or the negotiated process, will remain the same from month to month, unless and until a different formula rate is put in place for the resource.¹¹

8. CAISO proposes to revise tariff Section 30.4.1.1.6.2.2 to include additional detail regarding the opportunity cost methodology. Specifically, CAISO proposes to include the steps it will execute when forecasting the LMPs used in the opportunity cost calculator. CAISO also proposes to note in tariff Section 30.4.1.1.6.2.2 that additional

¹⁰ CAISO's filing also includes a corrected metadata tariff title for the "Use-Limited Resource" tariff section, in compliance with the Commission's directive in the June 21 Order at P 35 n.64.

¹¹ CAISO Transmittal at 2-3.

detail regarding the calculation of opportunity costs is provided in a new appendix (Appendix N) to the BPM for Market Instruments.¹²

2. Protest and Answer

9. NRG states that CAISO's general description of its opportunity cost process fails to provide adequate detail for market participants to be able to validate CAISO's calculation of the market participant's opportunity cost. For example, NRG states that proposed tariff Section 30.4.1.1.6.2.2 refers to a gas price index and the natural gas future commodity price, without providing any detail as to the source of this information. NRG explains that, therefore, while CAISO's compliance filing includes additional process steps, the tariff continues to leave out how key financial parameters will be determined, particularly how the natural gas index prices that are used for the settlement calculations are derived. NRG also requests clarification on the use of Appendix N to the BPM for Market Instruments because the additional detail cited by CAISO does not appear to exist in the current version of the BPM.¹³

10. In its answer, CAISO argues that it followed the Commission's directive in the June 21 Order to revise its tariff to include additional detail consistent with its April 26, 2018 Answer, and that NRG's request for further detail in the tariff is beyond the scope of the June 21 Order. CAISO responds that revised tariff Section 30.4.1.1.6.2.2 references the BPM for Market Instruments. CAISO explains that Attachment C of that BPM already contains implementation details regarding the calculation of the gas price index used in the CAISO markets. CAISO states that it will include further implementation detail specific to the opportunity costs calculated and related processes, including future commodity prices, in Appendix N.¹⁴ CAISO states that it plans to publish a draft version of Appendix N on August 31, 2018 for stakeholder information, in advance of formal submission to CAISO's BPM change management process.

3. Commission Determination

11. We accept CAISO's compliance filing, effective April 1, 2019, subject to condition, and direct further compliance. We find that CAISO's proposed revisions to tariff Section 30.4.1.1.6.2.2 largely comply with the Commission's directives in the

¹² CAISO Transmittal at 4-5.

¹³ NRG Protest at 3-4.

¹⁴ We note that CAISO refers to both Appendix N and Attachment N in its answer. We interpret CAISO's answer as intending to refer only to Appendix N, consistent with revised tariff Section 30.4.1.1.6.2.2.

June 21 Order, including setting forth the underlying components that provide the basis for forecasted prices consistent with CAISO's April 26, 2018 Answer, and a citation to the BPM that CAISO states will contain the specific equations and other implementation details. However, we agree with NRG that information regarding the specific gas price indices that CAISO will use should be in the tariff. Therefore, we direct CAISO to submit a compliance filing, within 30 days of the date of this order, which specifies the gas price indices it will rely on to estimate future prices.¹⁵

The Commission orders:

(A) CAISO's compliance filing is hereby accepted, effective April 1, 2019, subject to condition, as discussed in the body of this order.

(B) CAISO is hereby directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission. Commissioner McIntyre is not voting on this order.

(S E A L)

Kimberly D. Bose,
Secretary.

¹⁵ See, e.g., *Cal. Indep. Sys. Operator Corp.*, 141 FERC ¶ 61,237, at P 39 (2012) (finding that the gas price indices CAISO proposes to use for the greenhouse gas allowance price must be in the tariff rather than the business practice manual); *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,076, at P 502 (2007) (directing CAISO to include the price indices it will rely on to calculate default energy bids in its tariff).