

November 30, 2015

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

**Re: California Independent System Operator Corporation
Compliance Filing
ER15-2565- ____**

Dear Secretary Bose:

The California Independent System Operator Corporation (ISO) submits this filing in compliance with paragraph 38 of the Commission's October 29, 2015, order accepting the ISO's tariff revisions to incorporate a six-month transition periods for all new Energy Imbalance Market (EIM) entities, subject to condition, effective November 1, 2015.¹

I. Background

On August 28, 2015, the ISO submitted proposed tariff revisions to section 29.27 of its tariff to provide a six-month transition period during which the pricing of energy in the EIM balancing authority area of a new EIM entity is not subject to the pricing parameters that normally apply when the market optimization relaxes a transmission constraint or the power balance constraint in clearing the real-time market². Instead, during the proposed six-month transition period, the ISO will clear the market based on the marginal economic energy bid. The ISO also proposed to set the flexible ramping constraint relaxation parameter for the new EIM entity's balancing authority area between \$0 and \$0.01 during the transition period to allow its market software to determine the marginal energy bid price.

The Commission accepted the proposed revisions in its October 29 Order subject to further compliance. The proposed revisions are intended to provide new EIM entities a six-month period of the same waiver treatment that the Commission had previously granted for the PacifiCorp balancing authority areas. In addition to robust and rigorous readiness criteria that will ensure readiness to the extent possible of

¹ *California Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,104 (2015) (October 29 Order).

² The ISO notes that while the Commission references section 29.7 in its Order, the section of the tariff amended was 29.27.

people, processes, and systems prior to the time a new EIM entity commences financially-binding operations, the transition period is necessary to prevent many of the learning curve type issues PacifiCorp encountered in the first six months of EIM operations.

II. Discussion

In its October 29 Order the Commission accepted the proposed transition period finding that even with rigorous testing and a parallel operations period, it may not be possible to identify all operational issues prior to the commencement of operations. The Commission also found that the ISO's proposal to include a six-month transition period for new EIM Entities is consistent with the Commission's prior guidance that, in the event the ISO made a subsequent transition period proposal for EIM Entities, the proposal must be "commensurate with the need to address a new entrant's post-operation 'learning curve.'"³

The Commission also accepted, subject to condition, the ISO's proposed provisions allowing it to set the flexible ramping constraint relaxation parameter at an amount between \$0 and \$0.01 for the new EIM entity's balancing authority area, as this is necessary for the ISO's market software to determine the marginal energy bid price. As the ISO acknowledged in its answer, tariff section 29.27(b)(2) as previously proposed did not specify that the flexible ramping constraint relaxation parameter will be set between \$0 and \$0.01 only when the transmission constraint set forth in tariff section 27.4.3.2 or the power balance constraint set forth in the second sentence of tariff section 27.4.3.4 is relaxed. During the proposed transition period, when those constraints bind, the ISO will not utilize the parameter pricing set out in its tariff, but rather utilize the last marginal bid to clear the market. Therefore, the ISO proposed that the only intervals when the flexible ramping constraint relaxation parameter would be set between \$0 and \$0.01 are those in which a transmission constraint and/or power balance constraint must be relaxed. The Commission accepted the ISO's proposed tariff provision, subject to a further compliance filing within 30 days of the date of this order specifying in proposed tariff section 29.27(b)(2) that the flexible ramping constraint relaxation parameter will be set between \$0 and \$0.01 only when the transmission and/or power balance constraints are relaxed during the transition period.⁴ The ISO submits this compliance filing consistent with the Commission's directives in paragraph 38 of the Commission's October 29 Order.

³ October 29 Order at P 35.

⁴ *Id.*, at P 38.

III. Communications

Please direct all correspondence and other communications regarding this filing to:

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IV. Service

The CAISO has served copies of this filing on the California Public Utilities Commission, the California Energy Commission, and all parties with scheduling coordinator agreements under the CAISO tariff. In addition, the CAISO has posted a copy of the filing on the CAISO website.

V. Contents of Filing

In addition to this transmittal letter, this filing includes the following attachments:

Attachment A: Clean Tariff

Attachment B: Marked Tariff

VI. Conclusion

For the foregoing reasons, the ISO respectfully requests that the Commission approve this compliance as filed. Please contact the undersigned if you have any questions concerning this matter.

Respectfully Submitted,

By: /s/ Anna A. McKenna

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CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the 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, California this 30th day of November, 2015.

Martha Sedgley
Martha Sedgley

Attachment A – Clean Tariff Records
Compliance Filing-EIM Transition Period
California Independent System Operator Corporation

29.27 CAISO Markets And Processes.

- (a) **In General.** Except as provided in subsection (b) of this section, the provisions of Section 27 that are applicable to the Real-Time Market shall apply to EIM Market Participants.
- (b) **Transition Period for New EIM Entities.**
- (1) **Transmission Constraint Relaxation.** For a period of six months following the Implementation Date of a new EIM Entity, the provisions of Section 27.4.3.2 and the second sentence of Section 27.4.3.4 shall not apply to constraints that are within Balancing Authority Areas of the new EIM Entity or affect EIM Transfers between the Balancing Authority Areas of the new EIM Entity and any other EIM Entity that is subject to this subsection (b). For those intervals that experience infeasibilities described in those provisions, the CAISO shall instead determine prices consistent with the provisions of Sections 27, 34, and Appendix C, that would apply in the absence of Section 27.4.3.2 and the second sentence of Section 27.4.3.4.
 - (2) **Flexible Ramping Constraint.** For a period of six months following the EIM Entity Implementation Date of a new EIM Entity, when the transmission and/or power balance constraints as specified in Sections 27.4.3.2 and 27.4.3.4, respectively, are relaxed, the CAISO shall set the Flexible Ramping Constraint parameter specified in Section 27.10, for pricing purposes, for the new EIM Entity Balancing Authority Area, at an amount between and including \$0 and \$0.01.
 - (3) **Extension of Transition Period Pricing.** Any extensions of the initial six-month transition period, as approved by the Federal Energy Regulatory Commission, are specified below. Sixty days prior to the expiration of the transition period, the CAISO will post on the CAISO website an assessment of whether an extension of the transition period, for up to an additional six months, is needed for the applicable EIM Entity. The CAISO will post an update to such

assessment prior to the expiration of the transition period should there be any changes to its posted conclusions.

(a) [reserved]

- (4) **Reports.** During the term of the transition period, the CAISO will submit monthly reports with the Commission on the infeasibilities observed in the applicable EIM Entity Balancing Authority Area, the nature of the issues causing the infeasibility and remedies adopted to address the issues identified.

Attachment B – Marked Tariff Records
Compliance Filing-EIM Transition Period
California Independent System Operator Corporation

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