

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator)
Corporation _____)

Docket No. ER16-1483

**MOTION FOR CLARIFICATION OR, IN THE ALTERNATIVE, REQUEST FOR
REHEARING OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

I. Introduction

The California Independent System Operator Corporation (CAISO) respectfully submits this motion for clarification or, in the alternative, request for rehearing¹ of the Commission's *September 16 Order* in this proceeding.² In its *September 16 Order*, the Commission accepted, subject to condition, tariff revisions to help the CAISO comply with requirement 1 of North American Electric Reliability Corporation (NERC) Reliability Standard BAL-003-1.1 - *Frequency Response and Frequency Bias Setting*. These tariff revisions authorize the CAISO to procure transferred frequency response from other balancing authorities in the Western Interconnection.

The CAISO requests that the Commission clarify that a balancing authority may support a contract to provide transferred frequency response to the CAISO during a specific compliance year based on the balancing authority's annual

¹ The CAISO submits this motion pursuant to Rules 212 and 713 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.713 and section 313 of the Federal Power Act, 16 U.S.C. 825l.

² *Cal. Indep. Sys Operator Corp.*, 156 FERC ¶ 61,182 (2016) (*September 16 Order*).

frequency response measure under Reliability Standard BAL-003-1.1.³ Without this clarification, it is possible balancing authorities may read the *September 16 Order* as requiring them to sustain a net actual interchange measure in response to every individual disturbance event sufficient to support a contracted quantity of transferred frequency response. Such a requirement would make it virtually impossible for the CAISO to contract for transferred frequency response quantities because balancing authorities cannot assure such a measure in response to every disturbance event. Coincident with this motion, the CAISO is also submitting a compliance filing in connection with the Commission's *September 16 Order*. If the Commission accepts the CAISO's compliance filing, it can dismiss this motion as moot.

II. Background

On April 21, 2016, the CAISO submitted tariff revisions to facilitate compliance with NERC Reliability Standard BAL-003-1.1. Requirement 1 of Reliability Standard BAL-003-1.1 requires each balancing authority to achieve an annual frequency response measure that equals or exceeds its frequency response obligation as determined by NERC. A balancing authority's frequency response obligation is determined each year and reflects its proportionate share – based on generation and load – of the interconnection's frequency response obligation. NERC calculates the Western Interconnection's frequency response

³ On September 28, 2016, Powerex Corp. filed a request for clarification and expedited consideration of this issue in ER16-1483. The CAISO supports the relief Powerex has requested.

obligation as a whole based on an event involving the loss of two units at the Palo Verde Nuclear Generating Station.

Reliability Standard BAL-003-1.1 does not require a balancing authority area to achieve a specified level of performance with respect to any single disturbance event within a compliance year. Rather, the standard only requires a balancing authority area to demonstrate that its median measurement of performance over all NERC-identified events in a compliance year is equal to or more negative than its individual frequency response obligation. In the case of the CAISO, NERC will evaluate the CAISO's performance and compliance with requirement 1 of BAL-003-1.1 by selecting the median value of the CAISO's performance during these sampled events over the course of the compliance year. Requiring a balancing authority to have a positive net actual interchange during each disturbance event to support a contract departs from the requirements of BAL-003-1.1 and would be unreasonable.⁴

Based on an observed deterioration of frequency response performance from within its own balancing authority, the CAISO proposed tariff revisions allow it to procure transferred frequency response from other balancing authority areas in the Western Interconnection. This procurement will permit the CAISO to claim credit for frequency response that a counterparty balancing authority area

⁴ NERC measures performance based on changes in a balancing authority area's net actual interchange, which fluctuates based on many factors such as supply and load changes. In fact, after a disturbance event, a balancing authority's performance may reflect a negative MW/0.1Hz number even though resources within that balancing authority are actually providing frequency response to the interconnection.

supplies to the Western Interconnection as measured by the requirements of BAL-003-1.1.

III. Statement of Issue and Specification of Error or Clarification

Consistent with BAL-003-1.1, the Commission should clarify that a balancing authority may support a contract to provide a quantity of transferred frequency response based on its annual frequency response measure under Reliability Standard BAL-003-1.1. Absent this clarification, the CAISO requests rehearing on this limited issue on the grounds that the *September 16 Order* is in error and should be modified on rehearing.

IV. Discussion

The Commission's *September 16 Order* emphasizes that transferred frequency response must include the provision of actual physical frequency response.⁵ The Commission stated it expects "that a counterparty BA will have available frequency response in excess of its NERC-designated frequency obligation to offset a portion of the CAISO's NERC-designated frequency response obligation."⁶ As part of its *September 16 Order*, the Commission directed the CAISO to revise its tariff to state that the CAISO cannot claim on a compliance form that it has received, or that the counterparty has transferred,

⁵ *September 16 Order* at PP 45-46.

⁶ *Id.* at P 49.

more frequency response than the counterparty has produced.⁷ The CAISO is submitting a compliance filing to make this change.

The Commission's *September 16 Order*, however, also contains language that may cause balancing authorities pause and uncertainty in offering to provide transferred frequency response to the CAISO.⁸ Specifically, the *September 16 Order* states that the CAISO's tariff language suggests that the CAISO is proposing to receive transferred frequency response for all events during a compliance year, "without regard to how the counterparty BA has performed for a given event."⁹ This language could create a concern that balancing authorities must achieve a net actual interchange measure in response to every individual disturbance event that is sufficient to support a contract for transferred frequency response. This is not consistent with the CAISO's proposal, and it is not consistent with or required by BAL-003-1.1. Compliance with BAL-003-1.1 is not based on performance in connection with a single specified disturbance event. Accordingly, the Commission should clarify that it does not expect balancing authorities providing transferred frequency response to meet a net actual interchange measure in response to every disturbance event sufficient to support a contracted quantity of transferred frequency response. Rather, balancing authorities may contract to provide a quantity of transferred frequency response based on their median performance during a compliance year.

⁷ *Id.* at PP 49 and 51.

⁸ See Powerex request for clarification and expedited consideration in ER16-1483 dated September 28, 2016.

⁹ *Id.* at P 49.

The CAISO has proposed that a balancing authority providing transferred frequency response must have at least sufficient frequency response as reflected in its annual frequency response measure, *i.e.* median score, to support the transferred frequency response it provides to the CAISO. Under Reliability Standard BAL-003-1.1, NERC assesses the actual frequency response provided to the interconnection through this measure. NERC does not calculate an average performance of a balancing authority's response to disturbances across all reportable events, but instead selects the median score. Importantly, in response to individual disturbance events, a balancing authority's performance may vary dramatically based on grid conditions at the time. A balancing authority's performance – based on net actual interchange values – may even be negative in terms of MW/0.1 Hz provided to the interconnection. This performance does not mean the balancing authority is not providing actual frequency response service to the interconnection, just that it is providing less than its frequency response obligation as measured under Reliability Standard BAL-003-1.1 for that specific disturbance event. Various grid conditions could result in a net actual interchange measure separate from the frequency response service that a particular balancing authority is providing to the interconnection. This fact underscores why, under Reliability Standard BAL-003-1.1, NERC selects the median score from a list of reportable disturbance events to assess compliance.

The Commission's September 16 Order recognizes NERC has established this metric to determine whether a balancing authority has provided

frequency response service that underpins its compliance representations to NERC. Under Reliability Standard BAL-003-1.1, this median measure serves as the basis for determining whether a balancing authority has provided sufficient frequency response to the interconnection. A balancing authority cannot predict its measured performance in advance of any specific disturbance event, but it can ensure that its median performance will be above a certain level based on its median score across all reportable disturbance events that occur within a given compliance year. Requiring a balancing authority to commit to meet NERC's measure of performance for each disturbance event to support a contract for transferred frequency response would effectively eliminate the commercial ability of a balancing authority to provide transferred frequency response. So long as a balancing authority's annual frequency response measure can support a contracted quantity of transferred frequency response, the Commission should permit the balancing authority to contract for that quantity with the CAISO.

V. Conclusion

The Commission should clarify its September 16 Order to state that a balancing authority may rely on its annual frequency response measure under Reliability Standard BAL-003-1.1 as the basis to support a contract for transferred frequency response. If, however, the Commission accepts the CAISO's October 17, 2016 compliance filing, the Commission can dismiss this request for clarification as moot.

Dated: October 17, 2016

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 in the official service list for the above-referenced 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 October, 2016.

/s/ Daniel Klein
Daniel Klein