

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

California Independent System Operator Corporation) Docket No. ER17-2237-000
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_____)

**MOTION FOR LEAVE TO FILE ANSWER AND ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO
LIMITED PROTEST**

I. Introduction

The California Independent System Operator Corporation (CAISO) submits this answer to the limited protest filed by the Six Cities¹ in response to the CAISO's August 3, 2017 tariff amendment to modify cost allocation rules for the procurement of black start capability.² The CAISO's proposed tariff revisions will allocate the cost of procuring incremental black start capability to transmission customers that benefit from this capability. No party opposes the CAISO's proposed cost allocation rules.³ As part of its filing, the CAISO also

¹ The Six Cities comprise the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California.

² The CAISO files this answer pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213. Rule 213(a)(2) prohibits answers to protests absent permission of the Commission and the CAISO hereby moves for leave to make the answer to the protest. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in the case. *See, e.g.*, PJM Interconnection, L.L.C., 155 FERC ¶ 61,148, at P 10 (2016); Equitrans, L.P., 151 FERC ¶ 61,063, at P 10 n.2 (2015); Cal. Indep. Sys. Operator Corp., 132 FERC ¶ 61,023, at P 16 (2010).

³ The following entities only filed motions to intervene: NRG Power Marketing LLC; GenOn Energy Management, LLC; Southern California Edison Company; Northern California Power Agency; and Modesto Irrigation District. Pacific Gas and Electric Company filed comments supporting the CAISO's proposal.

proposed tariff revisions regarding performance testing of black start resources that are consistent with the requirements of the North American Electric Reliability Corporation's (NERC) Reliability Standard EOP-002-03.⁴ The Six Cities proposes that the CAISO incorporate additional tariff revisions related to performance testing that are consistent with the CAISO's policy initiative for the procurement of black start capability. These implementation provisions proposed by the Six Cities would ensure that periodic testing of black start generating units will continue under the CAISO's tariff, if NERC eliminates the testing requirements in Reliability Standard EOP-005-02. The proposed provisions also would provide that if a black start generating unit does not pass a performance test the CAISO will cease paying that resource until the resource successfully passes a performance test. The CAISO is willing to incorporate these implementation details into its tariff and will do so on compliance, if the Commission so orders. However, these provisions are not necessary for the Commission to find the CAISO's proposed tariff revisions are just and reasonable. In the event the Commission is reluctant to direct the CAISO to incorporate the Six Cities' suggestions on compliance, the Commission should still approve the CAISO tariff revisions as filed.⁵

⁴ *System Restoration Reliability Standards* 134 FERC ¶ 61215 (Order No. 749) March 2011 at P 13. See also EOP-005-02 available at <http://www.nerc.com/files/EOP-005-2.pdf>

NERC has proposed changes to EOP-005-2 that are pending approval at the Commission. These proposed changes do not modify the requirements affecting transmission operators or generator operators described in this proceeding. See Docket RM17-12 Petition of NERC for approval of proposed emergency operations reliability standards. <https://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=14558400>

⁵ The Commission should accept the CAISO's tariff revision if they are reasonable; they need not be perfect. See, e.g., *OXY USA, Inc. v. FERC*, 64 F.3d 679, 692 (D.C. Cir. 1995); See also *Cities of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984), cert denied, 469 U.S. 917

II. The CAISO will undertake performance testing of black start generating units consistent with the requirements of NERC Reliability Standard EOP-005-02

The CAISO's current tariff provides that black start generating units must pass performance tests for demonstrating black start capability, which the CAISO may periodically undertake in accordance with the CAISO's operating procedures for black start testing.⁶ Pursuant to NERC Reliability Standard EOP-005-2, the CAISO must conduct tests of black start generating units that support its system restoration plans at least once every three years.⁷ In its limited protest, the Six Cities argues that the CAISO tariff should also provide for the frequency of performance testing. The Six Cities recommends that the CAISO revise proposed section 5.3(b) of its tariff as follows (underlined text reflects additions):

The CAISO shall from time to time undertake performance tests, with or without prior notification. Such performance testing shall occur no less frequently than required by applicable requirements in NERC Reliability Standards. In the event that no applicable NERC Reliability Standard provides for a performance testing interval, the CAISO shall conduct performance testing at least once every three years.

This language reflects the CAISO's existing operating practices and reflects how the CAISO would implement its tariff. In order to resolve the Six Cities' protest, the CAISO is willing to incorporate this language on compliance, if

(1984).

⁶ CAISO tariff section 8.2.3.4.2 (b). The CAISO has proposed to move language pertaining to performance testing of black start resources to new tariff section 5.3(b).

⁷ See NERC Reliability Standard EOP-005-02, Requirement 15.

the Commission so orders.⁸ However the CAISO emphasizes that this language is not necessary for the Commission to accept the CAISO's tariff revision as just and reasonable. To comply with enforceable reliability standards, the CAISO must adhere to the testing requirements of NERC Reliability Standard EOP-005-02. Moreover, the CAISO's current tariff provides the CAISO with authority to conduct performance testing of black start generating units more frequently than once every three years, if necessary, to ensure reliability. Accordingly, the CAISO's proposed tariff revisions are just and reasonable independent of the Six Cities' suggested additional language.

III. Black start resources will need to pass performance tests to receive compensation under a black start agreement

In its tariff amendment, the CAISO stated that as part of any black start agreement with a participating generator, the CAISO does not plan to pay a black start generating unit until the resource has passed a performance test to provide black start capability. The CAISO also explained that if a black start resource fails a subsequent performance test, the black start resource will need to remedy any issue and complete another performance test. If the black start resource cannot remedy the issue, this will be grounds for the CAISO to terminate the black start agreement without further payment.

⁸ If the Commission directs, the CAISO would modify the Six Cities' use of the phrase "applicable requirements in NERC Reliability Standards" with the defined term "Applicable Reliability Criteria." Under the CAISO's tariff, the defined term Applicable Reliability Criteria means: "The Reliability Standards and reliability criteria established by NERC and WECC and Local Reliability Criteria, as amended from time to time, including any requirements of the NRC."

In its limited protest, the Six Cities expresses concern that if a black start resource cannot pass performance tests, transmission customers should not be responsible for continuing to pay the resource for black start capability. The Six Cities has proposed language that would immediately suspend payments for service under the black start agreement unless, and until, the black start generating unit successfully passes a subsequent performance test administered by the CAISO. Specifically, the Six Cities recommends that CAISO incorporate the following language into proposed tariff section 5.3(e)⁹ (underlined text reflects additions):

If a Black Start Generating Unit fails to achieve a Black Start when called upon by the CAISO, or fails to pass a performance test administered by the CAISO, the Market Participant that has contracted to supply Black Start service from the Generating Unit shall be subject to (i) immediate suspension of all payments for service under the Black Start Agreement unless and until either (a) the Black Start Generating Unit successfully passes a subsequent performance test administered by the CAISO or (b) the Black Start Agreement is terminated; and (ii) all other remedies or penalties as specified in its Black Start Agreement.

The CAISO appreciates the Six Cities' concern about how the CAISO would implement payments to a black start resource that cannot demonstrate it can provide black start capability under a black start agreement. The Six Cities' proposed language reflects implementation details concerning payment obligations under a black start agreement in the event that a black start generating unit does not pass a performance test. The CAISO believes the Six

⁹ The Six Cities also recommends the CAISO incorporate corresponding provisions into any black start agreement. The CAISO does not oppose this suggestion.

Cities' suggested language is reasonable and ,in order to resolve the Six Cities' protest, the CAISO is willing to incorporate this language on compliance, if the Commission so orders.

However the CAISO emphasizes that this language is not necessary for the Commission to accept the CAISO's tariff revision as just and reasonable. The CAISO expects that the terms of any black start agreement will inform payment obligations by the CAISO to any black start generating unit for providing black start capability. The Commission will have exclusive authority to review the terms and conditions of such black start agreement. This will ensure transmission customers do not face charges for incremental black start capability until the resource demonstrates it can provide the service. Accordingly, the Six Cities' proposed language is not necessary for the Commission to accept the CAISO's proposed tariff revisions in this proceeding as just and reasonable.

IV. Conclusion

The CAISO's proposed tariff revision will permit the CAISO to allocate the costs of incremental black start procurement to enhance load restoration times under its system restoration plan. No party opposes the CAISO's cost allocation proposal. The CAISO is willing to incorporate the Six Cities' proposed revisions into the CAISO tariff related to performance testing and will do so on compliance, if the Commission so orders. However, the CAISO does not believe these provisions are necessary for the Commission to find its proposed tariff revisions are just and reasonable. In the event the Commission is reluctant to direct the CAISO to incorporate the Six Cities' suggestions on compliance, the Commission

should still accept the CAISO tariff revisions as filed. The CAISO respectfully requests that the Commission issue an order no later than November 1, 2017 accepting its tariff amendment in this proceeding.

Respectfully submitted,

/s/ Andrew Ulmer

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Andrew Ulmer
Director, Federal Regulatory Affairs
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7209
Fax: (916) 608-7222
aivancovich@caiso.com
aulmer@caiso.com

*Counsel for the California Independent
System Operator Corporation*

Dated: September 7, 2017

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for 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 Folsom, California this 7th day of September 2017.

/s/ Grace Clark
Grace Clark