

141 FERC ¶ 61,184
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony T. Clark.

California Independent System
Operator Corporation

Docket Nos. ER12-1630-000
ER12-1630-002

ORDER ON MOTION FOR EXTENSION OF TIME
AND ON REQUEST FOR REHEARING

(Issued December 3, 2012)

1. In this order the Commission grants California Independent System Operator Corporation's (CAISO) motion for extension of time until May 1, 2013 to implement tariff provisions revising its compensation practices for resources providing regulation pursuant to Order No. 755.¹ In light of this extension, we dismiss CAISO's request for rehearing as moot.

I. Background

2. On April 27, 2012, CAISO submitted a compliance filing and proposed tariff changes to establish a revised compensation methodology governing the provision of frequency regulation service, as required by Order No. 755. In that compliance filing, CAISO requested an April 9, 2013 effective date.² On September 20, 2012, the

¹ *Frequency Regulation Compensation in the Organized Wholesale Power Markets*, Order No. 755, 76 FR 67,260 (Oct. 31, 2011), FERC Stats. & Regs. ¶ 31,324 (2011), *order denying reh'g*, Order No. 755-A, 138 FERC ¶ 61,123 (2012).

² *See* CAISO April 27, 2012 Compliance Filing at 2-6.

Commission accepted CAISO's compliance filing, subject to conditions, to become effective January 1, 2013.³

II. Motion for Extension of Time and Responsive Pleadings

3. On October 19, 2012, CAISO filed a motion for extension of time (Motion) in which it requests that the Commission extend the effective date until May 1, 2013. In its Motion, CAISO reiterates the reasons it had previously provided for using a spring, 2013 effective date,⁴ and expands upon them.

4. In its Motion, CAISO states that based on current internal development efforts and the scheduled delivery of software code from CAISO's external vendors for CAISO's day-ahead and real-time market systems, market quality system, scheduling and infrastructure business rules, and energy management systems, CAISO cannot implement its Order 755 market design on January 1, 2013 in a manner consistent with good utility practice. According to CAISO, once this software is delivered, it must conduct testing to ensure the proposed enhancement functions properly. CAISO states it must also provide market participants with an opportunity to test and validate that their business and market systems are functioning. Further, CAISO explains that its planned market simulation also creates value for and prospective market participants that have the option to participate in the market simulation using a pseudo resource. Finally, once testing and market simulation efforts are complete, CAISO states it must deploy the Order 755 market design into production. As part of this effort, CAISO states it must ensure deployment does not create system problems that may otherwise delay its implementation until an even later date.

5. With its Motion, CAISO includes the declaration of Dr. Khaled Abdul-Rahman, Director, Power Systems Technology Development for CAISO, in which he states that CAISO will not receive the required software code or complete its own software development efforts with respect to internal applications until December 2012, and that this delivery schedule cannot be accelerated. According to Dr. Abdul-Rahman, once

³ See *Cal. Indep. Sys. Operator Corp.*, 140 FERC ¶ 61,206 (2012) (Compliance Order). The Compliance Order also required CAISO to make an additional compliance filing within thirty (30) days of the date of the Compliance Order and an informational report within 14 months of the effective date of the proposed tariff revisions. On October 19, 2012, CAISO submitted a compliance filing as required by the Order on Compliance and requested that its Order No. 755 tariff revision take effect on May 1, 2013.

⁴ See Compliance Order, 140 FERC ¶ 61,206 at PP 51-52, 77.

CAISO receives the software code from its vendors and completes its enhancements for internally-developed applications, it is imperative that CAISO undertake testing as well as other implementation steps prior to promoting this code into production. He states that this is standard practice in connection with deploying new software or changing software in the CAISO market systems.

6. CAISO also indicates that it has two major releases per year for new market functionality. By scheduling two predictable and staged releases, CAISO states it can support a larger volume of enhancements while minimizing both technical and financial impacts to CAISO and its market participants. CAISO states that conducting a single market simulation for multiple initiatives brings economies of scale to the testing process. In any event, CAISO states that the requirement to perform functional and integration testing for the software code would not allow CAISO to initiate a market simulation for Order 755 before early-to-mid-February 2013.

7. CAISO concludes that it is not feasible for it to meet the January 1, 2013 implementation date consistent with its tariff obligation to implement market enhancements in accordance with good utility practice. CAISO states that to attempt otherwise would require CAISO and market participants to forego all software testing, market simulation or deployment work. Absent that work, CAISO asserts that the project may face disruption and delays far beyond the effective date CAISO is requesting, i.e., May 1, 2013.

8. On November 5 and 7, 2012, respectively, Pacific Gas and Electric Company and Southern California Edison Company filed separate answers to CAISO's Motion in which, based on CAISO's assertions, they each support CAISO's request for an extension of time until May 1, 2013.

III. Request for Rehearing

9. On October 19, 2012, CAISO also filed a request for rehearing concerning a single issue – the effective date set forth in the Compliance Order. In its request for rehearing, CAISO alleges two specifications of error: (1) the Order on Compliance erred by failing to provide a rational explanation and substantial evidence to support a January 1, 2013 effective date; and (2) the Order on Compliance erred by failing to address the explanation in CAISO's Order 755 compliance filing that an effective date prior to the spring of 2013 is not achievable. CAISO requests an order on the request for rehearing within sixty (60) days, i.e., no later than December 18, 2012. Finally, CAISO states in its request for rehearing (and in its Motion) that should the Commission grant the CAISO motion for an extension of time, the Commission may reject the request for rehearing as moot.

IV. Discussion

10. We are persuaded by CAISO's Motion and declaration that it is infeasible for CAISO to satisfy the compliance directive that it implement the Order No. 755 tariff revisions effective January 1, 2013. CAISO explains that the outside vendors cannot provide CAISO with software codes until December, 2012, and that once the codes are received, a significant amount of testing of the new software is necessary within and across multiple other systems. Moreover, CAISO points out that adequate time for simulation thereafter is required. We find these assertions credible and, based on these representations we believe that an extension of time until May 1, 2013 is reasonable to allow CAISO sufficient time to implement the Compliance Order directives.

The Commission orders:

(A) The January 1, 2013 effective date required by the Compliance Order is vacated, as discussed in the body to this order.

(B) The CAISO motion for extension of time until May 1, 2013 to implement tariff provisions revising its compensation practices for resources providing regulation pursuant to Order No. 755 is granted, as discussed in the body of this order.

(C) The CAISO request for rehearing is hereby dismissed as moot, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.