

167 FERC ¶ 61,001  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

California Independent System Operator Corporation      Docket No. ER19-951-000

ORDER ON TARIFF REVISIONS

(Issued April 1, 2019)

1. On January 31, 2019, the California Independent System Operator Corporation (CAISO) filed, pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> tariff revisions relating to both its commitment cost enhancements phase 3 (CCE3) initiative and the reliability services initiative (RSI).<sup>2</sup> In this order, we accept certain tariff proposals, effective April 1, 2019, as requested. However, we reject CAISO's proposal to modify the exemption from the Resource Adequacy Availability Incentive Mechanism (RAAIM)<sup>3</sup> provided to variable energy resources along with related non-severable tariff modifications.

**I. Background**

**A. CCE3 Initiative**

2. CAISO states that the CCE3 initiative was the most recent of a series of stakeholder initiatives to incrementally improve its tariff mechanisms regarding the calculation of commitment costs, energy bid components used in generated energy bids, and default energy bids.<sup>4</sup> As relevant to this filing, the CCE3 proposal, which was filed

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<sup>1</sup> 16 U.S.C. § 824d (2012).

<sup>2</sup> *Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,002 (2015) (RSI Order).

<sup>3</sup> RAAIM is a bid-based mechanism to incentivize resources providing resource adequacy capacity to meet their must-offer obligations and provide substitute capacity if they go on forced outage.

<sup>4</sup> CAISO Transmittal at 3 (citing *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,284 (2014); *Cal. Indep. Sys. Operator Corp.*, 152 FERC ¶ 61,185 (2015); *Cal. Indep. Sys. Operator Corp.*, 163 FERC ¶ 61,211 (2018) (CCE3 Order)).

in Docket No. ER18-1169-000, included a change to the definition of a use-limited resource and clarifications and revisions as to what information is registered in the Master File.<sup>5</sup>

3. Specifically, CAISO proposed that a scheduling coordinator seeking use-limited status for any resource must provide sufficient documentation demonstrating that: (1) the resource has one or more limitations affecting its number of starts, its number of run-hours, or its energy output due to (a) design considerations, (b) environmental restrictions, or (c) qualifying contractual limitations; (2) the CAISO market process used to dispatch the resource cannot recognize the resource's limitations; and (3) the resource's ability to select operating hours is not dependent on any energy source outside of the resource's control being available during such hours. CAISO's proposal was meant to exclude resources with limitations that CAISO's market process can recognize (e.g., daily limitations) from the definition of use-limited resources.<sup>6</sup> The Commission accepted this change to the definition of use-limited resources.<sup>7</sup>

4. CAISO also proposed to revise the resource characteristics that could be registered in the Master File by replacing "physical characteristics" with "design capability values." CAISO explained that under the design capability values proposal, the resource characteristics provided in the Master File must reflect the design capabilities (rather than the physical characteristics) of a unit when operating at maximum sustainable performance over minimum run time, recognizing that resource performance may degrade over time.<sup>8</sup> The Commission did not object to CAISO's proposal to replace "physical characteristics" with "design capability values" in the Master File, but it rejected the proposal because it was not severable from the "market values" proposal that the Commission found was not just and reasonable.<sup>9</sup>

## **B. RSI Proceeding**

5. As relevant to this proceeding, CAISO proposed RAAIM as part of its RSI phase I proposal. CAISO proposed RAAIM as a way to provide incentives to resources to meet their resource adequacy must-offer obligations through a series of incentive payments and charges. CAISO also proposed to exempt certain resources from RAAIM, including

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<sup>5</sup> The Master File is an electronic repository of generator-provided data on resources participating in the CAISO markets.

<sup>6</sup> CCE3 Order, 163 FERC ¶ 61,211 at PP 18-19.

<sup>7</sup> *Id.* PP 32-35.

<sup>8</sup> *Id.* P 36.

<sup>9</sup> *Id.* PP 37, 45-47.

variable energy resources. CAISO notes that when it presented the initial RAAIM proposal to the CAISO Board of Governors for approval, it drew a connection between CAISO forecasting and the need for the RAAIM exemption, stating: “Under the [CA]ISO’s real-time market structure, wind and solar resources under the proposed availability incentive methodology would be assessed using the resources’ forecasts as a baseline for comparison. In other words, absent the exemption, these resources could be rewarded for performing less than other resources.”<sup>10</sup>

6. In its filing in the RSI proceeding, CAISO argued that imposing RAAIM penalty charges on variable energy resources would amount to a double penalty on these resources. CAISO cited the California Public Utilities Commission (CPUC) proposal to reduce the amount of capacity that a variable energy resource could offer based on historical outages.<sup>11</sup>

7. The Commission accepted an exemption for variable energy resources when it addressed CAISO’s RSI proposal in Docket No. ER15-1825-000. The Commission found that “assessing non-availability charges to resources whose qualifying capacity is based on historical performance would have the effect of penalizing a resource twice for the same outage.”<sup>12</sup> Thus, the Commission found that the exemption was just and reasonable but encouraged CAISO to “work with stakeholders to eliminate the exemption if and when a new assessment of qualifying capacity that does not consider historical output is adopted.”<sup>13</sup>

## II. CAISO Filing

8. In the instant filing, CAISO states that it proposes tariff revisions to add additional details regarding already-accepted CCE3 tariff changes in order to implement opportunity costs for eligible use-limited resources, and fill in gaps that arise due to the intersection between the CCE3 Order and the RSI Order. Specifically, CAISO states it proposes incremental tariff revisions to (1) address any gaps identified because of a comprehensive review of the interaction between the CCE3 Order, the RSI Order, and the Bidding Rules Enhancement Order,<sup>14</sup> (2) align tariff provisions relating to opportunity costs to create

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<sup>10</sup> CAISO Transmittal at 17.

<sup>11</sup> RSI Order, 153 FERC ¶ 61,002 at P 18.

<sup>12</sup> *Id.* P 72.

<sup>13</sup> *Id.* P 73.

<sup>14</sup> *See Cal. Indep. Sys. Operator Corp.*, 157 FERC ¶ 61,138 (2016) (Bidding Rules Enhancement Order) (accepting CAISO’s proposed bidding enhancement measures, which amongst other changes, allows on a permanent basis scheduling coordinators to

consistency with software and business processes that CAISO has developed in its implementation efforts, and (3) make other clarifications and clean-up changes relating to the CCE3 tariff changes.<sup>15</sup>

9. CAISO states that it is also refiling one proposed change in tariff Section 4.6.4<sup>16</sup> from the original CCE3 tariff changes, regarding generator design capabilities registered in the Master File, which CAISO states the Commission had previously rejected on separate grounds because the proposed change was not severable from other CCE3 tariff changes that the Commission rejected.<sup>17</sup> CAISO explains that the proposed change regarding resource characteristics will benefit market participants by providing additional guidance regarding the obligation to provide resource-specific information.<sup>18</sup>

10. CAISO explains that it is proposing revisions to address the following three substantive issues and that the remainder of its proposed revisions are what it characterizes as minor tariff clarifications. First, CAISO proposes to remove the previously-accepted provision in tariff Section 30.4.1.1.6.2.1,<sup>19</sup> which states that CAISO may update the opportunity cost calculation more frequently than monthly based on market conditions. CAISO explains that it is proposing this revision because the delivered functionality and business processes only allow for monthly updates.<sup>20</sup>

11. Second, CAISO is proposing to amend tariff Section 30.4.1.1.6.1.2 to clarify that there will be a one-month lag between the overall effective date of the CCE3 tariff changes (i.e., April 1, 2019) and the earliest date that opportunity costs can be reflected in bids (i.e., May 1, 2019). CAISO explains the reason for this one-month lag is that CAISO needs to turn the Master File flags for use-limited resources on and trigger the

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rebid commitment costs in CAISO's real-time market if they were not committed in the day-ahead market or residual unit commitment process).

<sup>15</sup> CAISO Transmittal at 1.

<sup>16</sup> See CAISO filing, Attachment B at Section 4.6.4.

<sup>17</sup> CCE3 Order, 163 FERC ¶ 61,211 at P 44.

<sup>18</sup> CAISO Transmittal at 1-2.

<sup>19</sup> See CAISO filing, Attachment B at Section 30.4.1.1.6.2.1.

<sup>20</sup> CAISO Transmittal at 2.

first set of opportunity cost calculations, which will take at least several days, and possibly longer for the initial deployment.<sup>21</sup>

12. Third, CAISO proposes to define a new category of resources called “conditionally available resources.” CAISO states that the approved CCE3 tariff provisions narrow the definition of a use-limited resource, which had the effect of disqualifying some resources based upon their regulatory or operational limitations.<sup>22</sup> CAISO explains that its proposed tariff revisions will allow these non-use-limited resources to continue to be subject to resource adequacy provisions in tariff Section 40.6.4<sup>23</sup> regarding availability requirements, and continue to be subject to the exemption from the generated bid rules in tariff Section 40.6.8(e).<sup>24</sup> The new conditionally available resources category will apply to those resources with one or more regulatory or operational limits that are not eligible use-limits, and that face frequent and recurring periods of unavailability because of those limitations.<sup>25</sup>

13. In addition to the three substantive issues described above, CAISO proposes tariff revisions for exemptions from RAAIM. CAISO explains that tariff Section 40.9.2(b)(1) states that variable energy resources are exempt from the RAAIM provisions applicable to local and system capacity. CAISO proposes to revise this tariff section to reference participating intermittent resources and eligible intermittent resources, instead of variable energy resources more broadly. CAISO explains that this revision provides clarity because only wind and solar resources currently can be participating intermittent resources.<sup>26</sup> CAISO explains that it has no approved forecasting methodology for other resource types besides wind and solar, and thus, it has not offered RAAIM exemptions for them. CAISO notes that in Order No. 764, the Commission left it to public utility transmission providers to determine whether they could develop the necessary power production forecasting requirements for other technology types that also arguably meet

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<sup>21</sup> *Id.*

<sup>22</sup> CCE3 Order, 163 FERC ¶ 61,211 at PP 32-35.

<sup>23</sup> CAISO filing, Attachment B at Section 40.6.4.

<sup>24</sup> *Id.* at section 40.6.8(e).

<sup>25</sup> CAISO Transmittal at 2.

<sup>26</sup> CAISO defines a participating intermittent resource as a variable energy resource whose output CAISO can forecast pursuant to CAISO’s technical standards, and an eligible intermittent resource is a variable energy resource with a participating generator agreement (or similar agreement) with CAISO. CAISO Transmittal at n.60 (citing CAISO tariff Appendix A, definitions of participating intermittent resource and eligible intermittent resource).

the definition of a variable energy resource.<sup>27</sup> Under the tariff revisions, if CAISO develops forecasting methodologies for technology types besides wind and solar, then those other resources also would qualify for the exemption.<sup>28</sup>

14. Finally, CAISO describes the remaining proposed tariff revisions as minor tariff clarifications. These tariff revisions include clarifying language to address the process for obtaining use-limited resource status,<sup>29</sup> allowing scheduling coordinators to maintain their negotiated default energy bids, which include previously established opportunity costs, or to pursue an opportunity cost under the new methodology,<sup>30</sup> removing language that is no longer applicable after the CCE3 tariff revisions,<sup>31</sup> and re-aligning tariff provisions concerning the real-time and the residual unit commitment processes.<sup>32</sup>

15. Overall, CAISO states that it views the instant filing as containing three discrete sets of tariff changes that are severable from each other and are not interrelated, interdependent, or affected by the Commission's actions on any other element.<sup>33</sup> CAISO states that the Commission should evaluate the justness and reasonableness of each set of proposed tariff changes based on their individual merits. CAISO states these three sets of changes are: (1) removing CAISO's authority to make intra-monthly changes to a resource's opportunity cost calculations; (2) all other revisions regarding opportunity

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<sup>27</sup> CAISO Transmittal at 16 (citing *Integration of Variable Energy Resources*, Order No. 764, 139 FERC ¶ 61,246, at P 213, *order on reh'g and clarification*, Order No. 764-A, 141 FERC ¶ 61,232 (2012), *order on clarification and reh'g*, Order No. 764-B, 144 FERC ¶ 61,222 (2013)).

<sup>28</sup> *Id.* at 16-17.

<sup>29</sup> CAISO Transmittal at 11. *See* CAISO filing, Attachment B at Section 30.4.1.1.6.1.2.

<sup>30</sup> CAISO Transmittal at 13. *See* CAISO filing, Attachment B at Section 39.7.1.3.1.

<sup>31</sup> CAISO Transmittal at 20. *See* CAISO filing, Attachment B at Section 40.6.1.

<sup>32</sup> CAISO Transmittal at 17. *See* CAISO filing, Attachment B at Sections 40.6.2 and 40.6.4.2.

<sup>33</sup> We note that in its Answer, CAISO states that it considers its proposed tariff revisions concerning the bid generation and RAIM exemption to be a fourth discrete set of tariff changes and that they are severable and not interdependent upon its other proposed tariff revisions. CAISO Answer at 14.

costs and resource adequacy; and (3) resource characteristics revisions in tariff Section 4.6.4.<sup>34</sup>

16. CAISO requests waiver of the Commission's 60-day notice requirement to permit its tariff revisions to become effective on April 1, 2019, which is one day short of the full 60-day notice period. CAISO makes this request in order that its tariff revisions have the same effective date as the CCE3 tariff changes.<sup>35</sup>

### **III. Notice of Filing**

17. Notice of CAISO's filing was published in the *Federal Register*, 84 Fed. Reg. 2843 (2019), with interventions and protests due on or before February 21, 2019.

18. Timely motions to intervene were filed by the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside California, Northern California Power Agency, the California Department of Water Resources State Water Project, the City of Santa Clara, California, Southern California Edison Company, and the Modesto Irrigation District. Timely motions to intervene and protest were filed by NRG Power Marketing, LLC (NRG) and Pacific Gas and Electric Company (PG&E).

19. On March 8, 2019, CAISO filed an answer to the protests.

### **IV. Responsive Comments**

#### **A. Protests**

20. NRG protests that the proposed change to Section 4.6.4 of the tariff, regarding generator design capabilities registered in the Master File, should be rejected because it is unclear. NRG states that it believes it is CAISO's intent to allow a generator to submit operating characteristics that reflect the performance of which the unit is physically capable. However, NRG asserts that the proposed tariff language – “recognizing that resource performance may degrade over time” – could refer either to the degraded performance that the generating unit may be capable of for a short period of time under emergency conditions or to the performance normally expected of the unit that preserves its long-term viability.<sup>36</sup> NRG states that it is not clear how a market participant would submit a single set of operating characteristics that simultaneously reflect design capabilities *and* degraded performance. NRG argues that CAISO should be directed to

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<sup>34</sup> CAISO Transmittal at 3.

<sup>35</sup> *Id.* at 3. 18 C.F.R. § 35.11 (2018).

<sup>36</sup> NRG Protest at 5.

refile the tariff change in a way that provides clear guidance regarding submitting generating unit operating characteristics to the CAISO's Master File.

21. PG&E protests CAISO's proposed changes regarding exemptions to bid generation and RAAIM (i.e., tariff Sections 40.6.8(e) and 40.9.2(b)(1)). PG&E argues that the proposed changes exclude certain categories of variable energy resources, most notably run-of-river hydroelectric resources, from receiving the same RAAIM exemption accorded to other categories of variable energy resources. PG&E asserts that the Commission rejected in Order No. 764 limitations on "the [variable energy resources] definition in the pro forma large generator interconnection agreement to solar and wind resources so as to exclude run-of-river hydro, tidal, or other new and emerging [variable energy resources]." <sup>37</sup> However, PG&E argues that CAISO's proposal attempts to exclude these resources from the RAAIM exemption by replacing the term "variable energy resources" with either "eligible intermittent resources" or "participating intermittent resources." <sup>38</sup>

22. PG&E asserts that this proposal would discriminate unjustly and unreasonably against certain types of variable energy resources without adequate justification. PG&E explains that certain hydro resources, such as run-of-river hydro, operate similarly to wind and solar in that there is no storage capability, and, thus, no ability to optimally choose when to generate. As a result, PG&E comments that these hydro resources face similar challenges responding to incentives under RAAIM as wind and solar resources. PG&E argues that, consistent with the Commission's treatment of wind and solar resources, the Commission should require CAISO to exempt hydro resources from RAAIM if the resource design or regulatory requirements result in variability beyond the control of the scheduling coordinator or operator of the resource. PG&E also requests that the Commission require CAISO to work with stakeholders to develop appropriate forecasting methodologies for all types of variable energy resources. <sup>39</sup>

23. Further, PG&E requests that the Commission require CAISO to move the effective date regarding use-limited resource criteria for "qualifying contractual limitations" from April 1, 2022 to May 1, 2022. PG&E comments that CAISO allowed qualifying contractual limitations to be a criteria for use-limited status for three years. PG&E argues that because CAISO is proposing to extend the date that the opportunity cost adders will be effective, CAISO should also extend the end date regarding the use-limited resource criteria to May 1, 2022. <sup>40</sup>

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<sup>37</sup> Order No. 764, 139 FERC ¶ 61,246 at P 213.

<sup>38</sup> PG&E Protest at 3.

<sup>39</sup> *Id.* at 3-5.

<sup>40</sup> *Id.* at 5.



24. Finally, PG&E protests CAISO's proposal to amend Section 40.6.4.1 to add a new category of resources called "conditionally available resources." Specifically, PG&E claims that proposed tariff revisions contain a change mandating bids or self-schedules for a given resource up to the quantity of resource adequacy capacity that the resource is providing. PG&E argues that this change exposes certain classes of resources to the risk of non-compliance, such as legacy Qualifying Facility hydro and run-of river hydro resources that do not always have the ability to provide bids or self-schedules up to the amount of Resource Adequacy Capacity provided. PG&E explains that this limitation is the reason why such resources are exempt from RAIM.<sup>41</sup>

**B. Answer**

25. CAISO responds that NRG's objection to its proposed revisions in tariff Section 4.6.4, regarding how generating resources register their operational characteristics in the Master File, neither provides meaningful direction to market participants nor establishes that CAISO's proposed language is irredeemably flawed.<sup>42</sup>

26. In its answer to PG&E's objection to CAISO's proposed tariff revisions that would replace the term variable energy resource at Sections 40.6.8(e) and 40.9.2(b)(1), CAISO asserts that these terminology revisions maintain existing application of the bidding and RAIM exemptions for wind and solar resources and are consistent with Commission policy and Order No. 764. CAISO asserts that forecasting run-of-river hydro resources is outside the scope of this proceeding.<sup>43</sup>

27. Further, CAISO argues that because its revision maintains the status quo, its proposed revision for Section 40.6.8 will have no practical impact because the terms "variable energy resource" and "eligible intermittent resource" are interchangeable.<sup>44</sup> CAISO contends that it proposed this change only to use a specific term in place of a more generic one. CAISO also states that its proposed revision to Section 40.9.2 will not change the RAIM exemption because the exemption is limited to wind and solar resources as the only resource types CAISO has chosen to treat as variable energy resources under Order No. 764 and as the only resources using renewable sources of energy for which CAISO has approved forecasting methodologies. CAISO asserts that in Order No. 764, the Commission did not limit the definition of a variable energy resource to solar and wind resources, and deferred to the transmission provider to determine whether its system necessitates power production forecasting for other types of renewable

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<sup>41</sup> *Id.* at 6.

<sup>42</sup> CAISO Answer at 11-13.

<sup>43</sup> *Id.* at 4.

<sup>44</sup> *Id.* at 5.

resources. CAISO argues that it does not have an agreement for run-of-river hydro resources and, therefore it cannot treat run-of-river hydro as a variable energy resource.

28. CAISO also explains that the proposed revision to the RAAIM exemption at Section 40.9.2(b)(1) corrects a drafting error reference to generic variable energy resources that is inconsistent with the basic policies under RAAIM. The proposed tariff revision clarifies that the exemption is meant to apply only to resources whose output CAISO forecasts and those that are in the process of working with CAISO to establish a resource-specific forecast.<sup>45</sup> With respect to PG&E's concern about forecasting run-of-river hydro, CAISO explains that it poses more complex technical challenges than forecasting solar and wind resources and that CAISO does not have the expertise for it. CAISO also explains that forecasting for other resource types would require additional tariff revisions.<sup>46</sup>

29. CAISO agrees with PG&E that a one-month extension to the term of eligible contract limits is a reasonable result of the one-month delay in availability of opportunity costs, and states it would make this change if ordered on compliance.<sup>47</sup>

30. In response to PG&E's objection regarding tariff Section 40.6.4 concerning bidding obligations for resource adequacy resources, CAISO states it is not proposing a new bidding obligation. CAISO explains it is clarifying that covered resources do not have a must-offer obligation beyond the capacity they provide CAISO through the resource adequacy plan submission process.<sup>48</sup>

31. Finally, CAISO recognizes that the bid generation and RAAIM exemption changes are severable and not interdependent or interrelated with the rest of the tariff changes proposed. Thus, CAISO states these two changes form a fourth category of substantively distinct proposed tariff revisions.<sup>49</sup>

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<sup>45</sup> *Id.* at 7.

<sup>46</sup> *Id.* at 8.

<sup>47</sup> *Id.* at 9.

<sup>48</sup> *Id.* at 11.

<sup>49</sup> *Id.* at 14.

**V. Discussion****A. Procedural Matters**

32. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2018), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

33. 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 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**

34. We accept in part, effective April 1, 2019, as requested,<sup>50</sup> and reject in part CAISO's proposed tariff revisions, as discussed below.<sup>51</sup>

35. We find that CAISO's proposed tariff revisions in Section 4.6.4 addressing the resource design characteristics to be submitted in the Master File are just and reasonable.<sup>52</sup> We are not persuaded by NRG's assertions that this provision is unclear. Nothing in the proposed revision mentions or contemplates that the resource characteristics should reflect operating the unit "to its breaking point under emergency conditions," as NRG suggests.<sup>53</sup> Rather, we agree with CAISO that the proposed provision is intended to reflect the design capability of a resource as the resource performance may have degraded over time.

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<sup>50</sup> 18 C.F.R. § 35.11. We find that CAISO has demonstrated good cause to waive the 60-day notice requirement by one day to allow its filing to take effect coincident with the tariff revisions accepted by the Commission in the CCE3 proceeding.

<sup>51</sup> CAISO states that its tariff proposal consists of four discrete sets of tariff changes that are severable from each other and are not interrelated, interdependent, or affected by the Commission's actions on any other element. CAISO Answer at 14.

<sup>52</sup> Proposed CAISO Tariff Section 4.6.4. The proposed tariff language states: "All information provided to the CAISO regarding the operational and technical constraints in the Master File must be an accurate reflection of the design capabilities of the resources and its constituent equipment when operating at maximum sustainable performance over Minimum Run Time, recognizing that resource performance may degrade over time."

<sup>53</sup> NRG Protest at 4-5.

36. We also accept CAISO's proposed revisions clarifying the integration dates for opportunity cost adders stemming from the CCE3 proposal. We disagree with PG&E that the effective date of the use-limited resource criteria should be extended by a month as a result of this change. In the CCE3 Order, the Commission found the three-year grandfathering period was a sufficient time period for load-serving entities to renegotiate their contracts, and the date that opportunity cost adders are reflected in bids does not impact this time period.<sup>54</sup> We are not persuaded to extend that Commission-accepted timeline.

37. Next, we accept CAISO's proposed revisions to tariff Section 40.6.4 clarifying the bidding obligations of resources with limited availability. We agree with CAISO that its revised language does not impose a new bidding obligation for resource adequacy resources, but rather clarifies that a resource is not obliged to bid beyond the portion of their resource that is listed as resource adequacy capacity.

38. Finally, we accept CAISO's unopposed tariff revisions that clarify or otherwise clean-up issues related to the existing CCE3 and related tariff provisions. We find that these proposed tariff revisions provide useful clarifications and guidance to stakeholders with respect to the CCE3 tariff provisions.

39. However, we reject CAISO's proposal to limit the current RAIM exemption for variable energy resources to eligible intermittent resources or participating intermittent resources. In the RSI Order, the Commission accepted CAISO's proposal to exempt variable energy resources from RAIM based on CAISO's argument that variable energy resources could be double penalized by the RAIM because the CPUC's methodology for assessing qualifying capacity already penalized those resources for outages.<sup>55</sup> In this filing, though, CAISO proposes to limit eligibility for the RAIM exemption based on whether CAISO has developed a forecast methodology for that resource. This approach to determining eligibility for the RAIM exemption is not consistent with the reasoning that CAISO originally offered in support of its proposal, and with which the Commission agreed in the RSI Order. Specifically, CAISO has not explained how the proposed changes would affect the ability of variable energy resources that will no longer be eligible for the RAIM exemption to participate as resource adequacy resources. To the extent certain variable energy resources continue to be double penalized by qualifying capacity determinations because their historical outages would be counted against their qualifying capacity valuations,<sup>56</sup> they may be at a disadvantage to serve as resource adequacy capacity relative to variable energy resources that have been granted an

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<sup>54</sup> CCE3 Order, 163 FERC ¶ 61,211 at P 35.

<sup>55</sup> RSI Order, 153 FERC ¶ 61,002 at P 72.

<sup>56</sup> *Id.*

exemption. Therefore, we find that this aspect of CAISO's proposal has not been shown to be just and reasonable and not unduly discriminatory or preferential. We reject these tariff revisions and the bid generation tariff revisions, which we find are non-severable from the rejected tariff revisions, without prejudice.<sup>57</sup>

The Commission orders:

CAISO's proposed tariff revisions are hereby accepted in part, and rejected in part, with the accepted tariff revisions to become effective April 1, 2019, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>57</sup> Specifically, we reject proposed CAISO tariff Section 40.9.2(b) for the reasons discussed above, and Sections 40.9.2(a) and 40.6.8 because they are not severable from Section 40.9.2(b). We note that CAISO expressly stated in its answer that these provisions together formed a category of tariff revisions that were severable from the rest of the filing. CAISO Answer at 14.