

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

**Offer Caps in Markets Operated by )  
Regional Transmission ) Docket No. RM16-5-000  
Organizations and Independent )  
System Operators )**

**MOTION FOR EXTENSION OF TIME OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (CAISO) respectfully requests that the Commission extend the deadline for the CAISO to submit a filing to comply with Order No. 831,<sup>1</sup> from the current Commission-approved date of April 30, 2019 to August 30, 2019.<sup>2</sup> The CAISO's compliance with Order No. 831 depends on CAISO's implementation of the cost verification and default energy bid rules currently being developed in the CAISO's Commitment Cost and Default Energy Bid Enhancements (CCDEBE) stakeholder initiative. The CAISO has completed the policy development phase of CCDEBE and has been developing the software and procedural changes necessary to support the cost verification and default energy bid requirements. The CAISO is now in the process of preparing tariff modifications necessary to

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<sup>1</sup> *Offer Caps in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 831, FERC Stats. & Regs. ¶ 31,387 (2016) (Order No. 831), *order on reh'g and clarification*, Order No. 831-A, 161 FERC ¶ 61,156 (2017) (Order No. 831-A).

<sup>2</sup> The CAISO submits this motion pursuant to Rules 212 and 2008(a) of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.2008(a) (2018). Pursuant to Rule 213(d)(1)(i), 18 C.F.R. § 385.213(d)(1)(i), any answers to the motion will be due within five days after it was filed unless otherwise ordered by the Commission.

submit its Order No. 831 compliance filing, as well as the filing under Section 205 of the Federal Power Act (FPA) for the CCDEBE initiative. However, the CAISO believes that it is important to provide its stakeholders with an opportunity to review and comment on the implementing tariff language before making these filings. As a result, the CAISO will not be able to submit these filings by April 30 as it had intended. The CAISO plans to submit both filings by early June, but is requesting an extension until August 30 out of an abundance of caution and to avoid having to request a subsequent extension should it encounter additional processing issues.

Good cause exists to grant the requested extension. The extension will provide the CAISO and stakeholders with sufficient time to review and consider carefully the proposed tariff revisions related to CCDEBE, which are an integral part of the CAISO's proposed process for implementing the market rules changes arising out of Order No. 831, and for the CAISO to submit the CCDEBE filing and the Order No. 831 compliance filing. These tariff revisions will include not only changes developed in the CCDEBE initiative but also certain changes more recently developed in the CAISO's Local Market Power Mitigation Enhancements (LMPME) stakeholder initiative.

Even if the CAISO were to submit its Order No. 831 compliance filing at this time, the Commission could not rule on the filing until the CAISO completes and submits the CCDEBE tariff revisions because the cost verification and default energy bid rules, which will be filed separately under Section 205 of the FPA, are critical components of the CAISO's ability to comply with Order No.

831. Moreover, submitting the Order No. 831 compliance filing before the CAISO and stakeholders have had an opportunity to consider the implementation details further could render the provisions filed with the Commission to become stale as the implementation details may require further tariff changes. The CAISO anticipates it will implement the CCDEBE and Order No. 831 changes in the fall of 2019 as part of its fall software release.

### **I. Background**

On November 17, 2016, the Commission issued Order No. 831, which directed each Independent System Operator (ISO) and Regional Transmission Organization (RTO) to submit a compliance filing to modify its tariff to the extent needed to satisfy the directives in the Order regarding caps on incremental energy offers (*i.e.*, the portion of a resource's energy supply offer that varies with output or level of demand reduction). Order No. 831 directed each ISO or RTO to cap a resource's incremental energy offer at the higher of \$1,000 per megawatt-hour (MWh) or the resource's verified cost-based incremental energy offer.<sup>3</sup> The Commission also directed each ISO or RTO to cap cost-based incremental energy offers at \$2,000/MWh for purposes of calculating locational marginal prices (LMPs).<sup>4</sup>

Further, the Commission directed each ISO or RTO or its market monitoring unit to verify the actual or expected costs underlying a resource's cost-based incremental energy offer above \$1,000/MWh before that offer can be

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<sup>3</sup> Order No. 831 at PP 42, 78.

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

used for purposes of calculating LMPs.<sup>5</sup> The Commission required each ISO or RTO to explain in its compliance filing what factors it or its market monitoring unit will consider in the verification process for cost-based incremental energy offers above \$1,000/MWh and whether such factors are currently considered in existing market power mitigation provisions or whether new practices or tariff provisions are necessary given the Order No. 831 verification requirement.<sup>6</sup> The Commission stated that, in creating such a verification process, “we expect that the RTO/ISO would build on its existing mitigation processes for calculating or updating cost-based incremental energy offers.”<sup>7</sup> The Commission directed each ISO or RTO to submit a compliance filing to comply with Order No. 831 within 75 days after the effective date of the Order, *i.e.*, by May 8, 2017.<sup>8</sup>

On May 1, 2017, the CAISO filed a motion for extension of time in this proceeding to submit its Order No. 831 compliance filing up to a year later, by May 1, 2018 (May 2017 Motion). The CAISO explained that, unlike other ISOs and RTOs, the CAISO does not currently have a process to verify supplier costs prior to market clearing and thus needed to develop such a process with

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<sup>5</sup> *Id.* at PP 42, 140. The Commission directed that if a resource submits an incremental energy offer above \$1,000/MWh and the costs underlying that offer cannot be verified before the market clearing process begins, that offer may not be used to calculate LMPs and the resource would be eligible for a make-whole payment if the resource is dispatched and its costs are verified after-the-fact. A resource would also be eligible for a make-whole payment if it is dispatched and its verified cost-based incremental energy offer exceeds \$2,000/MWh. *Id.* The Commission directed that all resources, regardless of type, are eligible to submit cost-based incremental energy offers in excess of \$1,000/MWh. *Id.* at PP 42, 156.

<sup>6</sup> *Id.* at P 141.

<sup>7</sup> *Id.* The Order No. 831 directives discussed above are also set forth in Section 35.28(g)(11) of the Commission’s regulations, 18 C.F.R. § 35.28(g)(11).

<sup>8</sup> *Id.* at P 220. Order No. 831 was published in the Federal Register on December 5, 2016 and became effective February 21, 2017. Therefore, the ISO and RTO compliance filings were due by May 8, 2017.

stakeholder input. The CAISO noted, however, that it had initiated the CCDEBE stakeholder process in late 2016 to address stakeholder concerns that the CAISO's current market design introduces risks that their resources could be inaccurately valued in the CAISO market processes. The CAISO explained that as part of this process, it was examining potential methodologies for market participants to submit cost-based bids or for the CAISO to verify costs based on information provided by market participants. In light of the need to carefully design and implement the verification procedures required in Order No. 831 in a manner consistent with the CAISO's larger market design efforts, the CAISO stated that it intended to develop those procedures in conjunction with its CCDEBE initiative.<sup>9</sup> The CAISO explained that attempting to carry out any or all of the Order No. 831 directives separately from the CCDEBE stakeholder process would risk inconsistent design approaches, which would undermine the efficient functioning of the CAISO markets and likely require further modifications to address those consequences.

At the time the CAISO filed the May 2017 Motion, it had posted an issue paper for stakeholder review, solicited written comments on the issue paper, and held multiple working group meetings in the CCDEBE stakeholder process. The CAISO requested a one-year extension of time to submit its Order No. 831 compliance filing so that it had sufficient time to develop and implement tariff provisions necessary to verify cost-based energy bids over \$1,000/MWh

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<sup>9</sup> Materials related to the CCDEBE initiative are available on the CAISO website at [http://www.caiso.com/informed/Pages/StakeholderProcesses/CommitmentCosts\\_DefaultEnergyBidEnhancements.aspx](http://www.caiso.com/informed/Pages/StakeholderProcesses/CommitmentCosts_DefaultEnergyBidEnhancements.aspx).

pursuant to the CCDEBE stakeholder process. On May 11, 2017, the Commission issued a notice of extension of time granting the May 2017 Motion.

The CAISO filed two subsequent motions for extensions, based on the need for additional time to develop the CCDEBE initiative as well as a potential need to develop new rules for establishing default energy bids for hydroelectric resources which the CAISO was exploring including in CCDEBE. The Commission granted both of these motions, with the second order permitting the CAISO an extension until April 30, 2019.<sup>10</sup>

## **II. Motion for Extension of Time**

The CAISO respectfully requests a four-month extension of time – until August 30, 2019 – to submit its revisions to comply with Order No. 831. The CAISO will submit its Order No. 831 compliance filing separately from its proposed CCDEBE tariff revisions, which the CAISO will file pursuant to Section 205 of the FPA. However, the CAISO must submit the two filings contemporaneously because the cost verification and default energy bid procedures it proposes to adopt to meet the Order No. 831 compliance requirements are fundamental components, and thereby inextricably intertwined with, the larger package of market improvements that it is developing and will adopt as part of the CCDEBE initiative. The CAISO plans to submit both filings by early June, but is requesting an extension until August 30 out of an abundance of caution and the desire to avoid having to submit a subsequent

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<sup>10</sup> See the motions for extensions of time filed by the CAISO in this proceeding on April 25 and June 29, 2018, which the Commission granted by notices issued on May 22 and July 17, 2018, respectively.

motion for extension of time in this proceeding if it were to encounter additional processing issues.

Since the Commission granted the June 2018 Motion, the CAISO has been developing the software and procedures needed to implement the automatic thresholds for cost verification as well as manual cost verification procedures under CCDEBE. The CAISO has also developed, in the LMPME stakeholder process, modifications to the verification rules that it developed in the CCDEBE initiative for making before-the-market adjustments to commitment cost bid caps and default energy bids for gas-fired resources as calculated by the CAISO for the day-ahead and real-time markets.<sup>11</sup> The CAISO will incorporate those modifications into the CCDEBE filing.

Good cause exists to grant the requested extension. As previously noted, the CAISO does not currently have measures in place necessary to comply with Order No. 831 and is developing these procedures in the context of the CCDEBE initiative. The CAISO requires additional time to consider and review carefully with its stakeholders the proposed implementing tariff language prior to submitting the CCDEBE filing pursuant to Section 205 of the FPA and its Order No. 831 compliance filing. Due to the complexity of the various CCDEBE tariff revisions and the number of affected tariff sections, the CAISO anticipates that at least two rounds of meetings with stakeholders will be needed before the CAISO

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<sup>11</sup> See LMPME Draft Final Proposal (Updated) at 42-46 (Jan. 31, 2019) (LMPME Draft Final Proposal). This document and other materials related to the LMPME stakeholder initiative are available at <http://www.aiso.com/informed/Pages/StakeholderProcesses/LocalMarketPowerMitigationEnhancements2018.aspx>.

can finalize the tariff revisions and prepare the amendment and compliance filing for submission to the Commission.

No party will be prejudiced or harmed by this extension. To the contrary, the additional time is expressly to ensure that the CAISO can solicit and consider stakeholder input in the development of the tariff modifications necessary to implement the CCDEBE initiative, including the cost verification process required to comply with Order No. 831.

### **III. Conclusion**

For the foregoing reasons, the ISO respectfully requests that the Commission granting a four-month extension of time, until August 30, 2019, to submit the tariff revisions to comply with Order No. 831.

Respectfully submitted,

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Counsel for the California Independent System Operator Corporation

Dated: April 15, 2019



## 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 15<sup>th</sup> day of April, 2019.

*/s/ Grace Clark*

Grace Clark