196 FERC ¶ 61,156
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Laura V. Swett, Chairman;
David Rosner, Lindsay S. See,
Judy W. Chang, and David LaCerte.

California Independent System Operator Corporation Docket No. ER26-3104-000

ORDER GRANTING WAIVER REQUEST

(Issued August 25, 2026)

1. On July 7, 2026, pursuant to Rule 207 of the Commission's Rules of Practice and Procedure,[1] the California Independent System Operator Corporation (CAISO) filed a request for waiver of section 11.29.8.2(b)(v) of its Open Access Transmission Tariff (Tariff),[2] which requires scheduling coordinators to dispute a CAISO settlement statement within 22 business days of that statement's issuance. CAISO requests waiver to allow CAISO to extend the deadline to dispute the recalculation settlement statements issued 70 business days after the trading day (T+70B Recalculation Settlement Statement) for certain trading days, to December 24, 2026. As discussed below, we grant CAISO's waiver request.

I. Background

2. CAISO states that it financially settles its markets through an iterative process that includes an initial settlement statement followed by several subsequent recalculation settlement statements. CAISO states that the T+70B Recalculation Settlement Statement is the only recalculation settlement statement published in the ordinary course of business. CAISO states that other types of recalculation settlement statements are optional and only issued when necessary to adjust the T+70B Recalculation Settlement Statement. CAISO further states that scheduling coordinators are responsible for validating their settlement statements and submitting a dispute if they believe the statement has an error, and they have 22 business days to dispute a settlement statement.[3]

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[1] 18 C.F.R. § 385.207 (2025).

[2] CAISO, CAISO eTariff, § 11.29.8 (Confirmation and Validation) (9.0.0), § 11.29.8.2(b)(v).

[3] Waiver Request at 2-3.

3. CAISO states that, due to the complexity of the settlement rules, the volume of transactions, and the fact that multiple settlement statements are published each day, scheduling coordinators rely on software systems called shadow settlement systems to validate their settlement systems. CAISO states that it actively supports the software vendors that develop these systems for market participants and understands that vendors typically require six weeks after receiving new technical documentation from CAISO to revise shadow settlement systems. CAISO explains that the Extended Day-Ahead Market (EDAM) and Day-Ahead Market Enhancements (DAME) implementation on May 1, 2026 introduced 28 new settlement charge codes/pre-calculations. CAISO states that the settlements software needs multiple incremental updates to fully and accurately settle transactions following the new market construct. CAISO asserts that multiple scheduling coordinators have indicated that the compressed volume of updates makes software vendor delivery before early September 2026 infeasible, risking market participants' ability to validate initial EDAM/DAME settlements, resulting in the potential loss of opportunities to dispute errors, and diminished trust in settlement accuracy during the EDAM/DAME go-live period.[4]

II. Waiver Request

4. CAISO requests waiver of the requirement in section 11.29.8.2(b)(v) of the Tariff that requires scheduling coordinators to dispute a CAISO settlement statement within 22 business days from the calendar date CAISO issues a T+70B Recalculation Settlement Statements. Specifically, CAISO requests that all T+70B Recalculation Settlement Statements issued for trading days in May 2026 and June 2026 may be disputed at any time until December 24, 2026. CAISO notes that, based on conversations with scheduling coordinators, it believes this extension will provide enough opportunity to review settlement statements from May and June 2026 trading days.[5]

5. CAISO argues that its waiver request satisfies the Commission's criteria for granting waiver. First, CAISO states it has acted in good faith, because CAISO and its market participants engaged in extensive validation and market simulation efforts before May 1, 2026 to ensure readiness. CAISO asserts that, despite these efforts, CAISO and market participants identified issues with the settlement code after May 1, 2026 that required four code updates in May and July 2026. CAISO states that it understands that scheduling coordinators and their software vendors have made reasonable efforts to digest those updates and reflect them in shadow settlement systems as soon as possible, but it is not reasonably likely that software vendors will be able to deliver the needed updates sufficiently before September 11, 2026, which is the dispute deadline for the

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[4] *Id.* at 4-6.

[5] *Id.* at 6-7.

T+70B Recalculation Settlement Statement for the May 1, 2026 trading day. CAISO contends that it has also acted in good faith by raising this concern to the Commission's attention over two months before the waiver would take effect and well before the first T+70B Recalculation Settlement Statements for EDAM/DAME are issued on August 11, 2026.[6]

6. Second, CAISO asserts that the requested waiver is limited in scope because it covers only two months of trading days and applies only to one of potentially five settlement statements issued for 61 trading days covered by the waiver. CAISO affirms that no other relevant deadlines based on the dispute deadlines would be waived. CAISO further states that the waiver would not impact the dispute deadlines for other settlement statements issued for trading days in May 2026 and June 2026. Additionally, CAISO states that waiver would not impact dispute deadlines falling on calendar days September 11, 2026 through December 24, 2026 for settlement statements that are not T+70B Recalculation Settlement Statements.[7]

7. Third, CAISO asserts that the waiver addresses a concrete problem because, without the requested waiver, scheduling coordinators will not have a full and fair opportunity to validate, and potentially dispute, their settlement statements from the first month of EDAM/DAME. CAISO explains that this limitation in the dispute process means that participants may not identify CAISO errors within the allowable dispute deadline. CAISO argues that this limitation poses harm to the interests of individual participants to the extent errors are to their detriment and to the market overall to the extent disputed statements involve errors to the benefit of the disputing scheduling coordinator.[8]

8. Lastly, CAISO asserts that delaying the deadlines requested in the waiver would not have undesirable consequences or harm any party's interests. CAISO states that all members of CAISO's market participant community share a common stake in correct market settlement. CAISO argues that the requested waiver promotes this shared interest by ensuring that market participants have a reasonable chance to confirm their settlement statements for the initial months of EDAM/DAME.[9]

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[6] *Id.* at 7-8.

[7] *Id.* at 8-9.

[8] *Id.* at 9.

[9] *Id.*

III. Notice and Responsive Pleadings

9. Notice of CAISO's filing was published in the *Federal Register*, 91 Fed. Reg. 42727 (July 10, 2026), with interventions and protests due on or before July 28, 2026. Timely motions to intervene were filed by: Balancing Authority of Northern California; California Department of Water Resources State Water Project; Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities); Imperial Irrigation District; Modesto Irrigation District; Northern California Power Agency; NV Energy, Inc. (NV Energy); and Utah Associated Municipal Power Systems. Six Cities filed comments. Balancing Authority of Northern California, NV Energy, PacifiCorp, and Portland General Electric (collectively, Joint Commenters) filed joint comments. On August 4, 2026, CAISO filed an answer to Joint Commenters' comments.

A. Comments

10. Six Cities support CAISO's waiver request. Six Cities state that many settlements revisions remain under stakeholder review, and that the 22 business-day review period is insufficient to ensure accuracy and consistency with the Commission-approved market design. Six Cities further state that the scope, complexity, and substantial impact of the EDAM/DAME settlements revisions fully justify a limited extension of time for review and dispute.[10]

11. Joint Commenters state that they support CAISO's waiver request, but they request that the Commission require CAISO to affirmatively provide updates on the status of its shadow settlement system. Joint Commenters argue that these incremental technical updates to CAISO's shadow settlement system left insufficient time for market participants to adjust their systems to validate T+70B Recalculation Settlement Statements within Tariff timelines, and that the temporary extension as requested by CAISO may not be sufficient to resolve the identified issue. Joint Commenters state that CAISO's proposed timelines in the waiver request rely on both CAISO's and market participants' vendor codes to be fully ready before the May 1 trade date is resettled on August 11, 2026. Joint Commenters assert that, if the vendor code is not fully ready, then the recalculation settlement statement dispute will be difficult to get through by the December 24, 2026 date specified in the waiver request. Joint Commenters further state that this scenario assumes no more issues will be found. Joint Commenters state that, as noted by CAISO, significant system changes were made by CAISO in July 2026, and that has triggered additional work for market participants. Joint Commenters argue that until these enhancements are fully implemented and demonstrated through multiple settlement cycles, participants may be limited in their ability to identify, investigate, and substantiate

[10] Six Cities Comments at 2-3.

settlement discrepancies within the standard dispute timeline. Joint Commenters state that they believe this process could take a considerable period of time. Therefore, Joint Commenters request that the Commission direct CAISO, by September 30, 2026, to provide the Commission with a system status update and explain whether additional extension of settlement dispute timelines is warranted and, if not, how the concerns identified in the waiver have been resolved.[11]

B. <u>CAISO's Answer</u>

12. CAISO responds to Joint Commenters' concern by stating that it commits to engage directly with market participants throughout the waiver period and maintain ongoing dialogue to assess their readiness and evaluate whether the requested extension provides sufficient relief. CAISO also states it commits to publicly posting a status report by September 30, 2026 that summarizes the status of settlement processing activities and the information available at that time regarding market participants' ability to review and validate settlement results. Therefore, CAISO argues that it is not necessary for the Commission to require the informational report proposed by the Joint Commentors as a condition of the requested waiver.[12]

IV. <u>Discussion</u>

A. <u>Procedural Matters</u>

13. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2025), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

14. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2025), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We accept CAISO's answer because it has provided information that assisted us in our decision-making process

B. <u>Substantive Matters</u>

15. We grant CAISO's request for waiver of section 11.29.8.2(b)(v) of the Tariff to extend the deadline to dispute the T+70B Recalculation Settlement Statements issued for the trading days May 1, 2026 through June 30, 2026, to December 24, 2026. The Commission has granted waiver of tariff provisions where: (1) the applicant acted in good faith; (2) the waiver is of limited scope; (3) the waiver addresses a concrete

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[11] Joint Commenters Comments at 3-5.

[12] CAISO Answer at 1-3.

problem; and (4) the waiver does not have undesirable consequences, such as harming third parties.[13] We find that the circumstances of CAISO's waiver request satisfy these criteria.

16. First, we find that CAISO acted in good faith by engaging in extensive validation and market simulation efforts in preparation for EDAM implementation, as well as making reasonable efforts to provide vendors necessary information for their updates to the shadow settlement system needed to implement the new EDAM/DAME settlement charge codes/pre-calculations. CAISO asserts that, despite these efforts, CAISO and market participants identified issues with the settlement code that required code updates, which software vendors will not be able to deliver before September 11, 2026.[14]

17. Second, we find that CAISO's waiver request is limited in scope because it concerns only two months of trading days and applies only to the T+70B Recalculation Settlement Statements. In addition, the requested waiver would not impact the dispute deadlines for other settlement statements falling on calendar days September 11, 2026 through December 24, 2026 for settlement statements that are not T+70B Recalculation Settlement Statements.

18. Third, we find that granting waiver addresses a concrete problem because, absent waiver, CAISO scheduling coordinators will not have the opportunity to validate, and potentially dispute, their settlement statements for the initial months of EDAM/DAME due to the timing required for updates to the shadow settlement system. As CAISO explains, that limitation in the dispute process means that participants may not identify CAISO errors within the allowable dispute deadline.[15]

19. Fourth, we find that granting the waiver will not have undesirable consequences, such as harming third parties. CAISO affirms that market participants would not be harmed by the extension because it ensures that market participants have a reasonable chance to confirm their settlement statements for the initial months of EDAM/DAME.[16]

20. Finally, we decline Joint Commenters' request to require CAISO to file a status update with the Commission by September 30, 2026, as a condition of the requested waiver. As stated in its answer, CAISO commits to publicly posting a status report that

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[13] *See, e.g.*, *Citizens Sunrise Transmission LLC*, 171 FERC ¶ 61,106, at P 10 (2020); *Midcontinent Indep. Sys. Operator, Inc.*, 154 FERC ¶ 61,059, at P 13 (2016).

[14] Waiver Request at 7-8.

[15] *Id.* at 9.

[16] *Id.*

summarizes the status of settlement processing activities by September 30, 2026.[17] We find that CAISO's commitment addresses Joint Commenters' concern.

The Commission orders:

CAISO's waiver request is hereby granted, as discussed in the body of this order.

By the Commission.

(S E A L)

Carlos D. Clay,
Deputy Secretary.

[17] CAISO Answer at 2-3.