

134 FERC ¶ 61,140
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

California Independent System Operator Corporation Docket No. ER11-2574-000

ORDER ON TARIFF REVISIONS

(Issued February 28, 2011)

1. In this order, the Commission conditionally accepts for filing, subject to further modifications, tariff revisions proposed by the California Independent System Operator Corporation (CAISO), effective February 28, 2011, and directs CAISO to make a compliance filing implementing further revisions no later than 30 days from the date of issuance of this order. CAISO's revisions are meant to clarify CAISO's existing tariff provisions, eliminate certain inconsistencies, and correct typographical and other errors.

I. Background

2. CAISO states that it developed this filing over the course of calendar year 2010 after undertaking a review of its tariff to identify inconsistencies and correct inadvertent errors. CAISO states that its tariff revisions here are not intended to change existing policies or the rights and obligations of CAISO and its market participants. CAISO further states that it intends to undertake a similar review of its tariff each year and will propose amendments to its tariff as appropriate.

II. Discussion

A. Procedural Matters

3. Notice of CAISO filing was published in the *Federal Register*, 76 Fed. Reg. 1416 (2011), with interventions, comments, and protests due on or before January 20, 2011. Timely motions to intervene and comments/protests were filed by parties listed in the Appendix to this order. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), the filing of timely, unopposed motions to intervene serve to make the movants parties to the proceeding.

4. On February 4, 2011, CAISO filed an answer to comments and protests. On February 16, 2011, CAISO filed a supplemental answer in response to a concern raised by the Northern California Power Agency (NCPA). Rule 213(a) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a) (2010), prohibits answers to protests unless otherwise permitted by the decisional authority. We accept CAISO's answers to protests and concerns because they have assisted in our decision-making.

B. Uncontested Provisions

5. CAISO has filed numerous revisions to its tariff, which have not been contested by any party. In a number of provisions, CAISO simply removed or corrected inadvertent typographical and other errors. In several other provisions, CAISO has removed potentially confusing characterizations of its existing practices or requirements. Additionally, CAISO proposes to remove obsolete or moot provisions from the tariff. Finally, CAISO makes a number of minor modifications to the tariff to substitute a new term for the one currently used in the tariff.¹

Commission Determination

6. The Commission finds that the uncontested revisions contained in the instant filing remove numerous obsolete, redundant, and moot provisions and clarify potentially confusing language. As such, the proposed revisions help make CAISO's existing practices, requirements, and obligations more clear to market participants and other interested parties. These revisions also do not alter CAISO's existing policies, and therefore are just, reasonable, and not unduly discriminatory. Accordingly, the Commission accepts these uncontested tariff revisions for filing.

7. However, we note that CAISO appears to have incorrectly filed many of these revisions in the eTariff portal. While sections 9.5.1, 9.5.2, and the definition of "Transmission Constraints" have been correctly filed, and, then, are reflected in the eTariff portal, the revisions to all other sections contained in CAISO's filing are not reflected in the eTariff portal. In a compliance filing no later than 30 days from the date of this order, CAISO must re-submit its tariff revisions, as accepted in this order, to the eTariff portal so that they are appropriately reflected there.

¹ For example, where the currently effective tariff refers to "Scheduling Coordinator Identification," CAISO substitutes the term "ID" for "Identification."

C. Replacement of the Term “Constraints”

8. In the instant filing, in sections 6.5.1.1.1 and 6.5.1.1.2, CAISO proposes to replace the defined term “Constraints” with the defined term “Transmission Constraints.” This will apply to other sections where “Transmission Constraints” will replace variations on the term “Constraints,” such as “network Constraint.” CAISO states that the term “Transmission Constraint” will have the same meaning as the currently effective term “Constraint.” In addition, CAISO states that in several sections of the tariff, the defined term “Constraint” is used instead of the generic term “constraint” and therefore should be replaced.

9. CAISO states that these modifications will not alter the substantive requirements of the tariff provisions but instead removes any confusion created by the use of these terms.

Comments

10. City of Santa Clara (SVP) and Transmission Agency of Northern California (TANC) state that when CAISO replaced the term “Constraint” with the term “Transmission Constraint,” it also altered its definition. Specifically, according to SVP and TANC, “Constraints” are defined in CAISO tariff as “[p]hysical and operational limitations on the transfer of electrical power through transmission facilities.” However, SVP and TANC state that in the definition of “Transmission Constraints” CAISO has replaced the term “limitations” with “limits.” SVP and TNC argue that this change has not been adequately explained and that CAISO should be directed to revise the word “limits” back to “limitations.”

11. Further, SVP and TANC raise an issue with CAISO’s proposal to replace in tariff sections 27.5.1.1 and 27.5.3 on the enforcement of constraints in the Integrated Balancing Authority Area (IBAA), the phrase “network Constraints” with “Transmission Constraints.” SVP and TANC state that they rely on CAISO’s assurance made during the stakeholder process that CAISO will not modify its current practices and not enforce additional constraints on the IBAA as a result of this change.

CAISO Answer

12. With regard to the definition of the term “Transmission Constraints,” CAISO states that it agrees with TANC and SVP that the use of the word “limitations” is consistent with its intention that the terms “Constraints” and “Transmission Constraints” have the same meaning. CAISO states that it inadvertently entered the word “limits” instead of “limitations” as part of the tariff sheets submitted to the Commission. CAISO states that it is willing to correct this error in a compliance filing if so ordered by the Commission.

13. With regard to its proposed revisions to tariff sections 27.5.1.1 and 27.5.3, CAISO states that the term “Transmission Constraints” has the same meaning as the term “Constraints.” Thus, CAISO states that the Commission’s acceptance of the proposed tariff changes and CAISO’s continued compliance with the provisions of these sections will ensure that CAISO honors the commitment made during the stakeholder process that the proposed changes do not alter the substantive requirements of this section.

Commission Determination

14. CAISO’s offer to revise the definition of “Transmission Constraints” by replacing the word “limits” with “limitations” fully addresses SVP’s and TANC’s concern that the defined terms “Transmission Constraints” and “Constraints” should be identical. The Commission finds that this revision would ensure that CAISO’s revisions here do not alter its existing practices. Accordingly, the Commission directs CAISO to replace the term “limits” with “limitations” in the definition of the term “Transmission Constraints” in a compliance filing to be submitted no later than 30 days from the date of this order.

15. With regard to TANC’s and SVP’s concern that CAISO’s proposed revisions to sections 27.5.1.1 and 27.5.3 may alter the constraints enforced in the IBAA, the Commission finds that the proposed tariff revisions do not in any way alter CAISO’s authority to enforce constraints in the IBAA. Given that the revised provision and the currently effective provisions appear to have identical meanings, and that CAISO has assured market participants that the revisions will not alter its existing practices, the Commission accepts these proposed revisions for filing, with no further modifications.

D. Bid Extension Rules

16. In tariff sections 30.7.3.1, 30.7.61, and 40.6.8, CAISO proposes to clarify the bid extension rules. CAISO contends that these modifications will provide market participants with greater certainty for when its software will insert ancillary services or energy bids on behalf of a resource. Specifically, these sections clarify that CAISO will not submit a companion spin or non-spin bid at \$0 in the real-time market if the resource submits an energy bid and a spin or non-spin bid.

17. CAISO states that it also seeks to align the tariff with its scheduling infrastructure business rules process, which treats a partial energy bid that accompanies a submission to self-provide ancillary services as a signal that the scheduling coordinator does not have sufficient capacity to satisfy its submission to self-supply ancillary services. CAISO, therefore, proposes to amend section 30.7.3.1 to state that it will not extend an energy bid under these circumstances.

18. CAISO also proposes to modify tariff sections 30.7.3.1, 30.7.61, and 40.6.8 to state that CAISO may insert a bid in the real-time market required under tariff section 40

for a resource adequacy resource. CAISO states that this modification clarifies existing tariff language, which could be construed as preventing CAISO from optimizing a use-limited resource between energy and ancillary services.

Comments

19. The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities) argue that CAISO's revisions appear to constitute unjustified substantive changes to CAISO tariff. In proposed sections 30.7.3.1 and 30.7.6.1, Six Cities note that CAISO appears to limit its authority to submit bids for use-limited resources only for the Regulation Up and Regulation Down ancillary services when the currently effective tariff prevents CAISO from submitting a bid for use-limited resources for all ancillary services. Six Cities assert that this is inconsistent with section 40.6.8 and constitutes a substantive expansion of CAISO's authority.

20. Six Cities also state that CAISO's proposed revision to section 40.6.8 appears to limit its restriction on submitting bids for use-limited resources to the real-time market, while implying that CAISO could submit such a bid in the day-ahead market. Six Cities argue that this is inconsistent with the first sentence in section 40.6.8 and constitutes an expansion of CAISO's authority to insert generated bids.

21. Powerex Corp. (Powerex) states that it supports the revisions to tariff sections 30.7.3.1, 30.7.6.1, and 40.6.8, as they will clearly specify the situations in which CAISO will generate bids. However, Powerex requests that CAISO be required to provide the Commission and market participants with an update as to when CAISO will implement these provisions. Specifically, according to Powerex, section 40.6.8 permits CAISO to generate bids for System Resources providing Resource Adequacy capacity at the interties. Powerex argues that despite a Commission directive in its June 26, 2009 Order,² CAISO has not yet begun generating these types of bids. Powerex requests that CAISO update the Commission and market participants as to when it expects to begin generating bids for System Resources providing Resource Adequacy Capacity at the interties.

22. The California Department of Water Resources State Water Project (SWP) states that CAISO's proposed revisions reverse the longstanding exemption for hydro and use-limited resources from the must-offer obligation to provide ancillary services. Specifically, SWP notes that the changes that CAISO proposes to sections 30.7.3.1, 30.7.6.1, and 40.6.8 appear to remove the exemption without explanation. SWP argues that this is contrary to Commission precedent and previous CAISO determinations that

² Powerex cites to *Cal. Indep. Sys. Operator, Inc.*, 127 FERC ¶ 61,298, at P 133 (2009).

these resources should not be subjected to the ancillary services must-offer obligation.³ Similarly, SWP notes that CAISO's revisions appear to cast doubt on hydro and use-limited resources exemption from offering into the Residual Unit Commitment (RUC) market. SWP states that CAISO's revisions in these sections should be rejected, since they may remove these previously upheld exemptions.

CAISO Answer

23. CAISO notes that sections 30.7.3.1 and 30.7.6.1 set forth generally applicable bid rules and that these rules have been in place since April 1, 2009. CAISO states that when a use-limited resource voluntarily submits a bid, the generally applicable bid rules apply. CAISO argues that the proposed revision to section 40.6.8 simply clarifies that the exemptions from resource adequacy bids do not exempt use-limited resources from the generally applicable bid rules.

24. CAISO further states that based on the comments, some clarification is warranted. Specifically, CAISO proposes to delete the following sentence from sections 30.7.3.1 and 30.7.6.1: "The [CAISO] will not insert or extend any Bid for Regulation Down in the Real Time Market for a Use-Limited Resource except as provided in Section 40.6.8." CAISO also proposes to delete the last sentence of section 40.6.8⁴ and replace it with the following sentence: "The [CAISO] will not insert Generated Bids under Section 40.6.8 on behalf of Use-Limited Resources. If a Scheduling Coordinator submits Bids on behalf of Use-Limited Resources, then the Bid validation rules in section 30 will apply."

25. CAISO further states that with respect to the automation of the resource adequacy bidding obligations, CAISO has taken one step to automate functionality, namely to generate RUC availability bids for eligible resource adequacy capacity, including eligible system resources. According to CAISO, it proposed several revisions to its tariff, including sections 30.5.2.7, 30.5.3, 31.5.1.2, and 43.6.3, to reflect the fact that CAISO scheduling infrastructure and business rules system are now capable of generating RUC availability bids for resource adequacy capacity, as well as interim capacity procurement mechanism capacity that has a RUC obligation. Therefore, CAISO states that its proposed tariff changes remove the obligation for scheduling coordinators to submit such bids into the RUC process.

³ SWP cites to *Cal Indep. Sys. Operator Corp.*, 127 FERC ¶ 61,298 (2009), *order on reh'g*, 131 FERC ¶ 61,149 (2010).

⁴ The sentence at issue states: "Notwithstanding any of the provisions of Section 40.6.8 set forth above, CAISO will not insert any Bid in the Real Time Market required under this Section 40 for a Resource Adequacy Resource that is a Use-Limited Resource unless the resource submits an Energy Bid and fails to submit an Ancillary Service Bid."

26. CAISO further states that Powerex was correct that the functionality implemented on November 4, 2010 was not generating RUC availability bids for system resources. However, CAISO states that the problem had been fixed effective February 1, 2011.

27. CAISO further proposes to clarify that: (1) for non-use-limited resources with resource adequacy capacity (or interim capacity procurement mechanism capacity), CAISO will generate RUC availability bids for internal resources and system resources; (2) for use-limited resources with a RUC obligation, CAISO will generate RUC availability bids but only to the extent the scheduling coordinator submits bids in CAISO's day-ahead market up to the resource adequacy capacity level but capped by the quantity specified by the scheduling coordinator in the applicable bid; (3) CAISO will not generate any RUC availability bids for use-limited resources that do not have a RUC obligation; and (4) resources that are eligible to provide resource adequacy capacity (or interim capacity procurement mechanism capacity), may offer their capacity through RUC availability bids.

28. CAISO also provides clarifying tariff modifications in its answer. CAISO proposes to submit these changes in a compliance filing.

29. In its supplemental answer, CAISO states that since filing its answer, NCPA has informed CAISO that its generally applicable bid rules do not apply to use-limited resources of a load following metered subsystem. CAISO states that NCPA is correct that CAISO's bid validation rules are configured such that CAISO will not insert or extend regulation bids for use-limited resources of a load following metered subsystem. The CAISO proposes to further modify section 30.7.6.1 in a compliance filing to reflect this exception.

Commission Determination

30. The Commission finds that the tariff modifications proposed by CAISO in its answer serve to further clarify the tariff and address the concerns of the commenters. CAISO's modifications appropriately clarify that CAISO's authority to insert bids for resource adequacy use-limited resources has not been altered by these tariff modifications. Accordingly, the Commission accepts CAISO's revisions and directs CAISO to further modify sections 30.7.3.1, 30.7.6.1, 30.5.2.7, and 40.6.8, as proposed in its answer and its supplemental answer, in a compliance filing to be submitted no later than 30 days from the date of this order.

E. Deadlines for the Submission of Revised Local Capacity Technical Studies

31. In section 43.1.2.1, CAISO proposes to delete language related to the time frame for issuing a market notice that identifies a deficiency in a local capacity area as assessed by CAISO's local capacity technical study. Specifically, CAISO is proposing to delete

the language that requires CAISO to issue a market notice 60 days prior to the beginning of a resource adequacy compliance year, and allows scheduling coordinators to submit a revised resource adequacy plan within 30 days of any market notice as opposed to linking the submission of revised resources adequacy plans to the beginning of the resource adequacy compliance year.

Comments

32. Six Cities argue that CAISO's proposed revision to section 43.1.2.1 eliminates its obligation to provide load-serving entities with a notice of a Local Area Resource Adequacy Capacity deficiency 60 days prior to the commencement of the resource adequacy compliance year. Six Cities state that currently load-serving entities have up to 90 days to correct a deficiency, while CAISO's proposed revision would eliminate any obligation on behalf of CAISO to give a load-serving entity sufficient notice to correct a deficiency. Six Cities further notes that, since CAISO may issue a notice at any time, it may be impossible for a load-serving entity to cure any deficiency within 30 days of the commencement of the compliance year. Six Cities state that the Commission should reject CAISO's proposed changes.

CAISO Answer

33. CAISO states that it inadvertently omitted revisions to this section that would have allowed a load-serving entity 30 days from the date of a market notice identifying the deficiency to cure such a deficiency. CAISO states that it will make the additional revision to allow load-serving entities 30 days to cure a deficiency in a compliance filing if so ordered by the Commission.

34. CAISO further notes that load-serving entities do not currently have 90 days to address a deficiency identified in a market notice. CAISO states that the current tariff requires CAISO to issue a market notice no later than 60 days prior to the start of the resource adequacy compliance year and allows market participants until 30 days prior to the start of the resource adequacy compliance year (December 1) to correct any deficiencies. CAISO also provides a sample market notice to this effect.⁵

Commission Determination

CAISO tariff section 43.1.2.1 "LSE Opportunity to Resolve Collective Deficiency in Local Capacity Area Resources" currently provides that CAISO must notify load-serving entities of any local area resource adequacy deficiencies by issuing a market

⁵ CAISO states that a sample market notice is *available at* <http://www.caiso.com/2841/2841746a5b600.pdf>

notice no later than 60 days prior to the commencement of the resource adequacy compliance year, or November 1. Scheduling coordinators are required to comply with the market notice by submitting revised annual resource adequacy plans 30 days prior to the commencement of the resource adequacy compliance year, or December 1.⁶ Under the currently effective tariff, the load-serving entities have at least 30 days to comply with the requirements stated in a market notice. CAISO proposed revision will allow CAISO to issue deficiency market notices at any time during the resource adequacy compliance year. However, the amount of time available to load-serving entities to remedy the deficiency will not change under the proposed tariff revision, as further modified in its answer. Load-serving entities will still have 30 days to comply. The tariff revision, as proposed in CAISO's answer, also removes the requirement that revised annual resource adequacy plans be submitted by December 1 of each year.⁷ We, therefore, accept CAISO's proposed tariff revision, as further modified in its answer, and direct CAISO to include it in the compliance filing directed in this order.

F. Submission of Settlement Quality Metered Data

35. CAISO states that it proposes to revise sections 37.5.21, 37.9.3.1, and 37.11.1 to conform to payment acceleration timelines approved by the Commission in calendar year 2009.⁸ Specifically, CAISO proposes to modify these sections to state that: (1) market participants must correct errors in Settlement Quality Meter Data (SQMD) no later than 43 calendar days after the trading day; (2) CAISO will administer penalties through settlement statements seven (7) business days after the trading day or through recalculation settlement statements; and (3) errors in submitted meter data that exist 43 calendar days after the trading day constitute a violation of the rules of conduct.

Comments

36. The Alliance for Retail Energy Markets (AReM) notes that CAISO has proposed clarifications to portions of its tariff that address the submission of SQMD for settlement purposes and rule of conduct violations, specifically sections 37.5.2.1 and 37.11.1. AReM states that electric service providers had previously identified these sections as unclear, unreasonable, and creating an unjust outcome in which a scheduling coordinator

⁶ *Id.* See also CAISO November 1, 2009 Market Notice, *Evaluation Report of Load Serving Entities' Compliance with 2010 Local Resource Adequacy Requirements*, available at <http://www.caiso.com/2457/245774f62da50.pdf>

⁷ See CAISO Answer at 21.

⁸ CAISO cites to *Cal. Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,265 (2009), *reh'g denied*, 130 FERC ¶ 61,034 (2010) (September 2009 Order).

could be charged with a rule of conduct violation and be subjected to a monetary sanction for submitting revisions to meter data after a specified tariff deadline even if such revisions represent *de minimus* changes that have no material effect on market outcomes. AReM further states that while CAISO has improved the clarity of this provision by adding a specific deadline, it has not addressed the fundamental issue of an unjust penalty applied to any revision, even one with no material effect on the markets. AReM believes these tariff provisions, particularly with CAISO's proposed revisions, to be unjust, unreasonable, and unduly discriminatory.

37. AReM states that the proposed tariff revisions do not reflect current practices in the markets. According to AReM, investor-owned utilities frequently update their meter data to reflect the most accurate usage numbers. AReM argues that this common practice will be treated as a violation of the rules of conduct under the revised tariff.

38. AReM argues that the revised section 37.11.1 fails to specify what would constitute a material error in submitted meter data that exists after the 43-day period. AReM also argues that under the proposed revision, the level of the penalty will depend on whether the error was discovered by CAISO or the scheduling coordinator. AReM is concerned that even minor errors would result in substantial penalties. AReM states that a more reasonable solution would be to require submission of SQMD only when the revision is material. AReM states that this approach reflects common sense, limits administrative burdens, and would reserve rule of conduct violations to more egregious errors, not every day circumstances. AReM states that the Commission should order CAISO to conduct stakeholder meetings with the goal of adopting a materiality threshold for submission of revised SQMD.

CAISO Answer

39. CAISO states that AReM's request is beyond the scope of this proceeding. CAISO argues that, contrary to AReM's assertion, it uses a specific materiality threshold in imposing sanctions for inaccurate meter data. CAISO states that it only imposes a sanction if the violation is over \$1,000 for any trading day during the period where there were incomplete or inaccurate meter data. CAISO further states that, if AReM believes this threshold is too low, this objection is beyond the scope of this proceeding.

40. CAISO reiterates that its proposed revisions to section 37.5.2.1 help clarify that penalties will apply to inaccurate meter data submitted 43 calendar days after the trading day. CAISO further states that some scheduling coordinators may not have understood exactly how penalties would apply after CAISO completed its payment acceleration

initiative. To address this matter, CAISO filed a petition on February 1, 2011 to eliminate sanctions that would apply to violations of section 37.5.2.1 from November 1, 2009 through February 1, 2011.⁹

Commission Determination

41. The Commission agrees with CAISO that the issues raised in AReM's protest constitute a collateral attack on the Commission's prior order. In the September 2009 Order, the Commission accepted for filing CAISO's proposed tariff revision establishing penalties for scheduling coordinators who fail to replace CAISO estimated SQMD with actual SQMD within 43 calendar days after the trading day.¹⁰ CAISO's revisions in sections 37.5.2.1 and 37.11.1 clarify those tariff provisions by incorporating timelines previously accepted by the Commission. CAISO's revisions do not purport to revise the penalty thresholds under the current tariff. The Commission, therefore, accepts CAISO's revisions for filing.

G. Minor Errors in Proposed Tariff Revisions

42. Numerous commenters have identified several proposed tariff revisions that require correction of typographical and other errors. In its answer, CAISO proposes to make modifications correcting all inadvertent omissions and other typographical errors.

Commission Determination

43. CAISO's tariff modifications proposed in response to commenters address the concerns of those commenters. The Commission finds that CAISO's revisions in response to commenters improve the clarity of the tariff sections at issue and eliminate typographical and other errors that would otherwise be present in the tariff. Accordingly, the Commission directs CAISO to reflect these revisions in a compliance filing no later than 30 days from the date of this order.

The Commission orders:

(A) CAISO's tariff filing is hereby conditionally accepted for filing, subject to further modifications, effective February 28, 2011.

⁹ CAISO's petition to waive sanctions for multiple scheduling coordinators' violations of tariff section 37.5.2.1 is currently pending before the Commission in Docket No. ER11-2819-000.

¹⁰ *Id.* P 34-36.

(B) CAISO is hereby directed to submit, within 30 days of the date of issuance of this order, a compliance filing, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

Motions to Intervene
Docket No. ER11-2574-000

Alliance for Retail Energy Markets*
California Department of Water Resources State Water Project*
Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California*
City of Redding, California and the M-S-R Public Power Agency
City of Santa Clara*
Cogeneration Association of California & the Energy Producers & Users Coalition
Modesto Irrigation District
Northern California Power Agency*
Pacific Gas and Electric Company
Powerex Corp.*
Transmission Agency of Northern California*

*also filed comments and/or protests