

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

March 25, 2025

In Reply Refer To:
California Independent
System Operator Corporation
Docket No. ER25-968-000

California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Attention: David Zlotlow

Dear Mr. Zlotlow:

1. On January 17, 2025, the California Independent System Operator Corporation (CAISO) filed, pursuant to section 205 of the Federal Power Act (FPA)¹ and Part 35 of the Commission's regulations,² proposed revisions to its Open Access Transmission Tariff (Tariff) to: (1) adjust the megawatt (MW) volume of a significant event Capacity Procurement Mechanism (CPM) designation³ based on pre-existing or new capacity obligations that arise during the term of the CPM designation; (2) permit a resource to elect a significant event CPM designation term of less than 30 days; (3) extend the

¹ 16 U.S.C. § 824d.

² 18 C.F.R. pt. 35 (2024).

³ The Tariff defines a CPM Significant Event as a "substantial event or a combination of events, that is determined by the CAISO to either result in a material difference from what was assumed in the resource adequacy program for purposes of determining the Resource Adequacy Capacity requirements, or produce a material change in system conditions or in CAISO Controlled Grid operations, that causes, or threatens to cause, a failure to meet Reliability Criteria absent the recurring use of a non-Resource Adequacy Resource(s) on a prospective basis." CAISO, CAISO eTariff, app. A (Definitions), CPM Significant Event (1.0.0).

existing deadline for CAISO to publish a market notice when issuing a CPM designation from two business days to five business days; and (4) streamline the CPM designation report process by posting the report on CAISO's open access same-time information system (OASIS) and foregoing issuance of a market notice advising of the report's availability.⁴ In this order, we accept CAISO's proposed Tariff revisions, as requested, and direct CAISO to submit an informational filing notifying the Commission of the actual effective date no less than seven days prior to the date CAISO implements the proposed Tariff revisions, as discussed below.

2. CAISO explains that its current Tariff includes resource adequacy (RA) provisions to ensure sufficient reserves are available to serve load and support reliable operation of the CAISO controlled grid.⁵ For circumstances in which the resource adequacy capacity shown by load serving entities is inadequate or insufficient to meet CAISO's operational needs and reliability criteria, CAISO states that its Tariff provides it the authority to designate backstop capacity under its CPM process. CAISO states that, under the CPM, CAISO can select scheduling coordinators' voluntarily submitted bids for generation resources in a competitive solicitation to procure capacity needed to address a deficiency or supplement load serving entities' resource adequacy procurement to maintain grid reliability.⁶

3. CAISO explains that it can designate capacity under the CPM to address six specific circumstances: (1) insufficient local capacity area resources in an annual or monthly RA plan; (2) collective deficiency in local capacity area resources; (3) insufficient RA resources in a load serving entity's annual or monthly RA plan; (4) a CPM significant event; (5) a reliability or operational need for an exceptional dispatch CPM; and (6) a cumulative deficiency in the total flexible RA capacity in the annual or monthly flexible RA capacity plans, or in a flexible capacity category in the monthly flexible RA capacity plans.⁷

⁴ See Appendix for eTariff records. Capitalized terms that are not defined in this order have the meaning specified in the Tariff.

⁵ Transmittal Letter at 1.

⁶ *Id.* at 1-2.

⁷ *Id.* at 2 (citing CAISO, CAISO eTariff, § 43A.2 (Capacity Procurement Mechanism Designation) (2.0.0)).

4. In the instant filing, CAISO proposes several revisions to section 43A of its Tariff to provide greater flexibility in administering the CPM and to reduce the administrative burden of using its CPM authority.⁸

5. First, CAISO proposes to adjust the MW volume of a significant event CPM designation based on pre-existing or new capacity obligations that arise during the term of the CPM designation. CAISO asserts that, under the current Tariff, it adjusts the MW quantity of exceptional dispatch CPM upwards or downwards based on other capacity obligations.⁹ However, CAISO states that it lacks authority to make such adjustments for significant event CPM designations. CAISO states that, in the context of exceptional dispatch CPM designations, it adjusts the CPM quantity upwards if: (1) a resource held a capacity obligation in CAISO at the time it received the exceptional dispatch CPM designation; (2) the other capacity obligation expires while the exceptional dispatch CPM is still in effect; and (3) the exceptional dispatch CPM quantity was below the resource's minimum operating level.¹⁰ CAISO states that the upward adjustment ensures the CPM capacity remains available on equitable terms, because a resource cannot bid into the market below its operating level. Correspondingly, CAISO states that it adjusts the CPM quantity downwards to offset any new capacity obligations that start during the course of the CPM designation.¹¹ According to CAISO, the downward adjustment helps ensure that the CPM designation does not interfere with pre-existing capacity obligations. CAISO states that its lack of ability to adjust significant event CPM designations has hindered CAISO's ability to use the significant event authority during stressed summer grid conditions.¹² Accordingly, CAISO proposes to extend its current rules for adjusting the MW quantity of an exceptional dispatch CPM to significant event CPM designations.¹³

⁸ *Id.* at 1-2.

⁹ *Id.* at 5 (citing CAISO, CAISO eTariff, § 43A.2.5.2.4 (Change in RA, RMR or CPM Status) (0.0.0)).

¹⁰ *Id.*

¹¹ *Id.* at 5-6.

¹² *Id.* at 6-7. For instance, CAISO asserts that resources with capacity available to meet significant events in the past have not made themselves available for a significant event CPM designation because other pre-existing obligations would make them unavailable for the full designation term.

¹³ *Id.* at 7. CAISO also proposes conforming changes to the rules governing exceptional dispatch CPM designations.

6. Second, CAISO proposes to revise its Tariff to provide scheduling coordinators the option to request a single continuous term that is shorter than 30 days for their significant event CPM designations.¹⁴ CAISO proposes to provide this option only to capacity that is not offered into the intra-monthly competitive solicitation process. CAISO explains that the current Tariff establishes 30 days as the minimum term for a significant event CPM designation. CAISO states that it has observed resources declining offers for mid-month significant event CPM designations because of the minimum term. For example, CAISO asserts that if a resource has an existing capacity commitment that starts at the beginning of the next month, the resource may decline a CPM offer because it would be incapable of meeting the existing capacity obligation and the potential CPM obligation. CAISO proposes to revise the Tariff to allow a scheduling coordinator to elect to designate a continuous term that is less than 30 days while retaining 30 days as the default minimum term. CAISO states that resources will only receive CPM payments for the time they are available.¹⁵

7. Third, CAISO proposes to amend its Tariff to extend the deadline for posting a market notice with basic information on the CPM designation from two business days to five business days.¹⁶ CAISO asserts that the current deadline has posed administrative challenges, because the staff that must prepare the market notice are also typically involved in addressing operational issues that created the need for CPM. CAISO states that extending the deadline by several days will provide it adequate time to collect the information needed for the notice, undertake the proper reviews, and validate the information presented in the notice. CAISO states that this extension will provide significant relief to CAISO staff and maintain CAISO's commitment to providing market participants and stakeholders timely information regarding CPM designations.¹⁷

8. Fourth, CAISO states that it intends to post its CPM designation report on OASIS rather than manually posting the designation report as a standalone document on its website.¹⁸ CAISO explains that OASIS can automatically populate the CPM designation report and that posting the report on OASIS is less administratively burdensome than manually posting the report on its website. To facilitate posting the report on OASIS, CAISO proposes to revise its Tariff to eliminate some of the tariff-required elements

¹⁴ *Id.* at 11.

¹⁵ *Id.* at 12.

¹⁶ *Id.* at 13.

¹⁷ *Id.* at 14.

¹⁸ *Id.* at 14-15.

included in the CPM designation report.¹⁹ CAISO states that the elements CAISO proposes to remove from the tariff are either unnecessary or available elsewhere. CAISO also proposes to eliminate the requirement that it issue a market notice advising that the report is available. CAISO explains that with the report available on OASIS, interested stakeholders can configure their systems to receive automated notices when the report has been posted.

9. CAISO states that each of the proposed Tariff revisions is discrete, severable, and not interdependent with other parts of the proposal. Thus, CAISO requests that the Commission evaluate the justness and reasonableness of the proposed revisions separately.²⁰ CAISO requests waiver of the Commission's 120-day notice requirement to permit a potential effective date of more than 120 days after its filing. CAISO asserts that good cause exists to grant this waiver because it will permit CAISO and its market participants beneficial flexibility with the implementation date without facing the administrative burden of further filings with the Commission to adjust the Tariff effective date.²¹ CAISO requests that these Tariff revisions be effective subject to CAISO filing a notice with the Commission no less than seven days prior to the actual effective date.

10. Notice of CAISO's filing was published in the *Federal Register*, 90 Fed. Reg. 8204 (Jan. 27, 2025), with interventions and protests due on or before February 7, 2025. Timely motions to intervene were filed by: Pacific Gas and Electric Company; Southern California Edison Company; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; the City of Santa Clara, California; and Northern California Power Agency. A timely motion to intervene and comments were filed by the CAISO Department of Market Monitoring (DMM).

11. DMM states that it supports CAISO's proposals to (1) adjust significant event CPM designations to reflect capacity obligations that arise during the CPM term, and (2) allow resources to accept all or part of the MW quantity for a significant event CPM award for less than 30 days. According to DMM, these changes should increase the amount of capacity available for significant event CPM awards.²² DMM states that this, in turn, can increase CAISO balancing area reliability in stressed grid conditions.

¹⁹ *Id.* at 15.

²⁰ *Id.* at 16.

²¹ *Id.*

²² DMM Comments at 3-4.

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2024), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. We accept CAISO's proposed Tariff revisions and find them to be just and reasonable and not unduly discriminatory or preferential. We find that CAISO's proposal to adjust the MW volume of a significant event CPM designation based on pre-existing or new capacity obligations that arise during the term of the CPM designation will help ensure that a CPM designation does not require a resource to bid below its minimum operating level or interfere with other capacity obligations. We also find that CAISO's proposal to permit resources to elect a term of less than 30 days for a significant event CPM designation could help increase the amount of capacity available for significant event CPM designations by providing flexibility to resources that are available to meet a significant event CPM need for a period less than 30 days. Finally, with respect to CAISO's proposed changes to its timeline and processes for posting CPM market notices and CPM designation reports, we find that these revisions should reduce CAISO's administrative burden while maintaining transparency regarding CPM designations for market participants and stakeholders.

14. We grant CAISO's request for waiver of the Commission's 120-day notice requirement to permit CAISO's filing to be tendered more than 120 days in advance of the requested effective date for good cause shown²³ and accept the proposed Tariff revisions with an effective date of 12/31/9998, as requested. CAISO must make an informational filing notifying the Commission of the actual effective date of the proposed Tariff revisions no less than seven days prior to the date CAISO implements the proposed Tariff revisions. CAISO should use the eTariff Type of Filing Code 150 – Data Response/Supplement the Record.

By direction of the Commission.

Carlos D. Clay,
Deputy Secretary.

²³ 18 C.F.R. § 35.3(a)(1).

Appendix

Tariff Records Filed

California Independent System Operator Corporation

CAISO eTariff

[43A.2.4, CPM Significant Events \(1.0.0\)](#)

[43A.2.5, Exceptional Dispatch CPM \(1.0.0\)](#)

[43A.3.5, Term – CPM Significant Event \(1.0.0\)](#)

[43A.5.2, Obligation To Provide Capacity And Termination \(2.0.0\)](#)

[43A.6.1, CPM Designation Market Notice \(2.0.0\)](#)

[43A.6.2, Designation Of A Resource Under The CPM \(2.0.0\)](#)