

159 FERC ¶ 62,199
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

California Independent System Operator
Corporation
Docket No. ER17-1337-000

Issued: May 23, 2017

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

Attention: Anna McKenna
Assistant General Counsel

Reference: Order Accepting and Suspending Filing, Subject to Refund, and
Further Commission Order

Dear Ms. McKenna:

On March 29, 2017, pursuant to section 205 of the Federal Power Act,¹ the California Independent System Operator Corporation (CAISO) submitted a tariff amendment to extend, for an additional year, the protective measures for qualifying variable energy resources (VERs) in its 15-minute energy market, which the Commission approved in 2014 and which would otherwise expire on April 30, 2017. CAISO filed the tariff amendment to implement the protective measures in 2013 as part of an implementation of several enhancements to its real-time energy market, including a new 15-minute market structure, largely in response to the Commission's directives in Order No. 764² regarding integration of VERs. Additionally, CAISO proposed, and the

¹ 16 U.S.C. § 824d (2012).

² See *Integration of Variable Energy Resources*, Order No. 764, FERC Stats. & Regs. ¶ 31,331, *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).

Commission accepted,³ a limited three-year transition period ending April 30, 2017 for VERs in CAISO's Participating Intermittent Resource Program (PIRP). CAISO stated that certain older VERs had a limited ability to curtail output in response to CAISO dispatch instructions, either due to physical or contractual limitations. As a result of the transition period tariff revisions, qualifying resources in the PIRP received protective measures exempting them from 15- and five-minute real-time market settlements. Instead, qualifying PIRP resources continued to receive monthly settlements of net uninstructed imbalance energy, consistent with the prior market structure.⁴

In this filing, CAISO proposes to revise tariff section 4.8.3.3, which sets forth the three-year transition period for the protective measures for qualifying VERs, to state that the transition period will instead expire on April 30, 2018. CAISO also proposes revisions to several sections in 4.8.3 to delete references to a three-year transition period. CAISO states that these revisions are just and reasonable because several resources subject to the protective measures require more time to make the necessary upgrades to their technology and/or change their power purchase agreements. CAISO states that the number of qualifying PIRP resources subject to the protective measures is small, and that the resulting uplift charges to scheduling coordinators that account for those resources' monthly settlements of net uninstructed imbalance energy have not been significant. CAISO asserts that it has no reason to believe that the magnitude of such costs allocated to the market would significantly increase if the Commission grants a one-year extension and that these matters should be resolved by May 1, 2018.⁵ CAISO seeks waiver of the Commission's 60 day notice requirement⁶ to allow its filing to take effect, May 1, 2017.

CAISO's filing was noticed on March 30, 2017, with interventions and protests due on or before April 19, 2017. Timely motions to intervene were filed by the Southern California Edison Company, Northern California Power Agency, and the City of Santa Clara, California. A timely motion to intervene and protest was filed by Pacific Gas and Electric Company (PG&E). Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,⁷ any notices of intervention and timely filed, unopposed motions to intervene serve to make the filer a party to this proceeding.⁸

³ *Cal. Indep. Sys. Operator Corp.*, 146 FERC ¶ 61,204 (2014).

⁴ CAISO Transmittal at 5.

⁵ *Id.* at 6.

⁶ 18 C.F.R. § 35.3(a) (2016).

⁷ 18 C.F.R. § 385.214 (2016).

⁸ Any late and opposed motions to intervene will be addressed in a further

PG&E challenges the filing arguing that continuing to insulate these resources from market signals is contrary to the need for flexibility to operate the grid.⁹ PG&E states that the revisions inappropriately insulate select VERs from economic incentives to respond to CAISO dispatch signals, and from paying imbalance charges, despite the need for flexibility. PG&E further asserts that CAISO has failed to explain why the three-year waiver was inadequate, explaining that the original three-year extension was intended to balance the desire to provide some protection to affected VERs from the immediate burdens incurred as a result of a revised market structure against the need for VERs to fully participate in the revised market structure. PG&E argues that the revisions would continue subsidizing a subset of VERs, resulting in additional uplift on market participants and reducing market flexibility.

Preliminary analysis indicates that CAISO's proposed tariff revisions have not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. Therefore, pursuant to the authority delegated to the Director, Division of Electric Power Regulation – West, Office of Energy Market Regulation, in the Commission's February 3, 2017 Order Delegating Further Authority to Staff in Absence of Quorum,¹⁰ CAISO's proposed tariff revisions are accepted for filing, suspended for a nominal period, to become effective May 1, 2017, as requested,¹¹ subject to refund and further Commission order. Protests and comments will be addressed in a further Commission order as appropriate.

This acceptance for filing shall not be construed as constituting approval of the referenced filing or of any rate, charge, classification, or any rule, regulation, or practice affecting such rate or service contained in your filing; nor shall such acceptance be deemed as recognition of any claimed contractual right or obligation associated therewith; and such acceptance is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against CAISO.

Commission order as appropriate.

⁹ PG&E Comments at 3.

¹⁰ *Agency Operations in the Absence of a Quorum*, 158 FERC ¶ 61,135 (2017).

¹¹ CAISO is granted waiver of the Commission's 60-day notice requirement. 18 C.F.R. § 35.11 (2016).

Consistent with Rule 1902 of the Commission's Rules of Practice and Procedure,¹² requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order.¹³

Sincerely,

Steve P. Rodgers, Director
Division of Electric Power
Regulation – West

¹² 18 C.F.R. § 385.1902 (2016).

¹³ 18 C.F.R. § 385.713 (2016).