



California ISO


Tariff Clarification: After-Market Fuel Cost Recovery

December 12, 2024

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Agenda

Background and goals for clarification	David Zlotlow, Sylvie Spewak
Walk through of tariff clarifications	David Zlotlow
Next steps	David Zlotlow

BACKGROUND AND GOALS

The ISO is proposing revisions to Section 30.12 to ensure the tariff reflects existing, approved policy

- Section 30.12 addresses the process for after-market cost recovery
 - Precipitating policy includes reference levels (Sections 30.4 and 30.7) and the reference level change request process (Section 30.11)
- Since the current tariff provisions became effective in 2021, the ISO has identified several ambiguities with how the text of the tariff was meant to apply
- Proposed clarifications intend to more closely align the tariff with existing policy

Background: Reference levels and opportunities for cost adjustments support efficient dispatch and cost recovery

- Standard resource-specific costs used to calculate reference levels cannot practically reflect actual costs perfectly
- The ISO provides scheduling coordinators with opportunities to request adjustments pre-market when costs do, or are expected to, deviate from ISO calculations
- Two options exist under the reference level change request (RLCR) process:
 - Automated: ISO systems automatically accept requested values within a % range of the default fuel cost value, subject to after-the-fact audit
 - Manual: the ISO reviews documentation ahead of time and recalculates all reference levels using the approved fuel cost value

Goal No. 1: Before-market reference level change request is a necessary prerequisite for after-market uplift requests

- Before-market RLCR requirement supports least cost dispatch and market efficiency by:
 - creates an incentive for SCs to try and reflect their true costs in the market
 - prevents strategic bidding to secure a commitment by submitting artificially low costs
- The sequence of operations is reflected in multiple places in the policy initiative creating these processes

Goal No. 2: Same standards apply regardless of who reviews the after-market uplift request

- There is no difference between the ISO and FERC after-market review of fuel costs in terms of information required, substantive standard, or outcome if the request is granted
- There should not be a strategic benefit to submitting a request in one venue vs. another

Goal No. 3: After-market uplift payments are limited to costs that could not be recovered from the market

- A resource should utilize all options available to recover commitment costs through the market
 - include costs in a before-market RLCR
 - use the opportunity to bid up to the highest allowable commitment costs
- Tariff section 30.12 pays costs that were not recoverable because, for example, costs requested pre-market:
 - exceeded the reasonableness threshold
 - were rejected during manual review

Goal No. 4: Tariff Section 30.12 does not expand the scope of costs recoverable under bid cost recovery

- Resources may recover costs associated with start up, remaining at minimum load, and providing energy above minimum load
- Allowing recovery of costs beyond these direct costs could incentivize speculative, and costly, market activity

PROPOSED CLARIFICATIONS WALK THROUGH

For reference

- Visit miscellaneous webpage for more information: [Meetings | Miscellaneous meetings | California ISO](#)
- If you have any additional questions, please contact Brenda Marquez at bmarquez@caiso.com or ISOStakeholderAffairs@caiso.com

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