



May 23, 2022

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: California Independent System Operator Corporation  
Docket No. ER20-1075-\_\_\_**

**Compliance Filing to Enhance the  
Capacity Procurement Mechanism**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) submits this filing in compliance with the Federal Energy Regulatory Commission's (Commission) Order on Remand (Remand Order) issued on April 22, 2022 in the captioned docket.<sup>1</sup> The CAISO requests that the Commission accept the proposed tariff revisions effective April 22, 2022, the date of its Remand Order.<sup>2</sup>

**I. Background**

On February 25, 2020, the CAISO filed tariff revisions that provided two alternative, mutually exclusive proposals for pricing capacity procurement mechanism (CPM) offers above the soft-offer cap. Under the CAISO's preferred proposal, a resource that submits an offer above the CPM soft offer cap would submit a filing to the Commission to support the offer price based on the resource's going forward fixed costs (*i.e.*, fixed operations and maintenance costs, ad valorem taxes, and insurance costs) plus 20 percent of such amount. Under the CAISO's alternative proposal, a resource that submits an offer above

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<sup>1</sup> *California Indep. Sys. Operator Corp.* 179 FERC ¶ 61,035 (2022) ("April 22 Order"). Capitalized terms not otherwise defined herein have the meaning set forth in the CAISO tariff, and references to specific sections, articles, and appendices are references to sections, articles, and appendices in the CAISO tariff.

<sup>2</sup> *Id.*

the CPM soft offer cap would submit a filing to the Commission to justify the offer price based on the same going forward costs but without the 20 percent adder. On May 29, 2020, the Commission issued an order accepting the CAISO's preferred proposal.<sup>3</sup>

On December 17, 2021, the D.C. Circuit Court of Appeals vacated and remanded the Commission's May 29, 2020 order. The D.C. Circuit found that the record did not support the Commission's decision to accept the 20 percent adder. In its Remand Order, the Commission reversed its prior determination and found the CAISO had not demonstrated that the 20 percent adder was just and reasonable. The Commission directed the CAISO to make a compliance filing removing the methodology with the 20 percent adder from its tariff and replacing it with the CAISO's alternative proposal, which the Commission found to be just and reasonable.

In this Compliance Filing, the CAISO updates the tariff records to reflect the tariff language in the alternative proposal, effective April 22, 2022. The CAISO notes there were no accepted offers above the CPM soft-offer cap following its February 25, 2020 tariff filing.

## **II. Materials Provided in this Compliance Filing**

In addition to this transmittal letter, this compliance filing includes:

Attachment A	Clean CAISO tariff sheets reflecting the tariff revisions described above
Attachment B	Red-line CAISO tariff sheets reflecting the tariff revisions described above

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<sup>3</sup> *California Indep. Sys. Operator Corp.* 171 FERC ¶ 61,172 (2020) ("May 29 Order").

**III. Conclusion**

The CAISO requests that the Commission accept this compliance filing effective April 22, 2022.

Respectfully submitted,

**By: /s/ Anthony Ivancovich**

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Counsel for the California Independent  
System Operator Corporation

Dated: May 23, 2022

## **CERTIFICATE OF SERVICE**

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 23th day of May, 2022.

*/s/ Jacqueline Meredith*

Jacqueline Meredith  
An employee of the California ISO

**Attachment A – Clean Tariff**

**Compliance Filing – Capacity Procurement Mechanism**

**California Independent System Operator Corporation**

**May 23, 2022**

## Section 43A

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### **43A.4.1.1.1 Exceeding CPM Soft Offer Cap through a Resource-Specific Cost Filing with FERC**

A Scheduling Coordinator for a resource may offer a price in excess of the CPM Soft Offer Cap. The resource owner whose capacity is offered in excess of the CPM Soft Offer Cap must justify in a filing to FERC a price above the CPM Soft Offer Cap, which shall be determined in accordance with the following formula: fixed operation & maintenance costs, plus ad valorem taxes, plus insurance, provided such costs will be converted to a fixed \$/kW-year amount. For a resource whose sales are under FERC jurisdiction that is providing CPM Capacity to be compensated at a rate higher than the CPM Soft Offer Cap, the resource owner must make a limited resource-specific filing before FERC to determine the just and reasonable capacity price for the resource as calculated under this formula. The resource owner must serve its filing on the CAISO within five business days of submitting its filing to FERC.

If the sales from the resource are not under the jurisdiction of FERC, the resource owner shall make a non-jurisdictional filing with FERC to determine the just and reasonable capacity price for the going forward costs for the resource as calculated in accordance with the following formula: fixed operation and maintenance costs, plus ad valorem taxes, plus insurance, provided such costs will be converted to a fixed \$/kW-year amount. The resource owner must serve its filing on the CAISO within five business days of submitting its filing to FERC.

A resource owner may make a cost justification filing at FERC either before it offers a resource into the competitive solicitation process or after having capacity designated as CPM Capacity. If the resource owner has not made the cost justification filing before the capacity was designated as CPM Capacity, then the resource owner must make its cost justification filing with FERC within 30 days of the CPM designation. If the resource owner fails to make such cost justification filing within 30 days, then the CAISO shall deem the effective CPM Capacity price for the resource to be the CPM Soft Offer Cap. The

resource owner may not propose – and shall not be compensated based upon – an offer price higher than the price submitted in its bid to the CAISO for the designated capacity.

A FERC-approved resource-specific CPM Capacity price shall remain in effect for the remainder of the calendar year in which it is approved and for the subsequent two calendar years, unless superseded by a subsequent FERC-approved CPM Capacity price during that period. Although a FERC-approved resource-specific CPM Capacity price will be denoted in units of \$/kW-year, that \$/kW-year figure will be divided by 12 so that compensation will be in terms of \$/kW-month.

A resource that has obtained the appropriate FERC authorization in response to the cost justification filing described in this Section 43A.4.1.1.1 for a rate higher than the CPM Soft Offer Cap is not precluded from submitting a bid into the competitive solicitation process that is below the FERC-authorized rate and, if selected pursuant to such a bid, will be compensated based on that lower bid.

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**Attachment B – Marked Tariff**

**Compliance Filing – Capacity Procurement Mechanism**

**California Independent System Operator Corporation**

**May 23, 2022**



## Section 43A

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