

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System  
Operator Corporation**

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**Docket No. ER15-861-005**

**MOTION FOR LEAVE TO ANSWER AND ANSWER OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
TO PROTESTS AND COMMENTS**

The California Independent System Operator Corporation (“CAISO”) moves for leave to answer and submits this answer to protests filed by parties regarding the CAISO’s October 1, 2015 filing certifying the readiness of the CAISO and Nevada Power Company and Sierra Pacific Power Company, d/b/a NV Energy, Inc., (collectively “NV Energy”) to proceed with NV Energy’s participation in the CAISO’s Energy Imbalance Market (“EIM”) on November 1, 2015.<sup>1</sup> The certification filing confirmed that the CAISO and NV Energy have met all readiness criteria specified in proposed section 29.2(b)(7) of the CAISO tariff.<sup>2</sup> The protests and comments identify no failure to comply with the readiness criteria and raise no issues that would justify rejection of any portion of the

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<sup>1</sup> The CAISO files this answer pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R., §§ 385.212, 385.213. Rule 213(a)(2) prohibits answers to protests absent permission of the Commission and the CAISO hereby moves for leave to make the answer to the protest. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in the case. *See, e.g., Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010); *Xcel Energy Services, Inc.*, 124 FERC ¶ 61,011, at P 20 (2008).

<sup>2</sup> Many of the tariff provisions referenced in this filing are pending in Docket No. ER15-861-004. The CAISO references proposed tariff revisions in this filing as if they were accepted by the Commission as filed.

certification by the Commission. The Commission should reject the comments and protest.

## **I. BACKGROUND**

The Energy Imbalance Market provides other balancing authority areas the opportunity to participate in the real-time market for imbalance energy that the CAISO operates in its own balancing authority area. The CAISO's Energy Imbalance Market tariff provisions went into effect on October 24, 2014, in time for the first trading day of November 1, 2014.<sup>3</sup>

NV Energy announced its intent to join the Energy Imbalance Market on November 7, 2013. On April 16, 2014, the CAISO and NV Energy executed an Implementation Agreement under which NV Energy projected entry into the Energy Imbalance Market on October 1, 2015. The Commission accepted the agreement on June 13, 2014.<sup>4</sup>

On January 15, 2015, the CAISO proposed revisions to its tariff to provide a twelve-month transition period for each new entity joining the Energy Imbalance Market. In a March 16, 2015 order,<sup>5</sup> the Commission rejected the

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<sup>3</sup> See *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231 (2014) ("June 19 Order") (conditionally accepting tariff revisions to implement Energy Imbalance Market); *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,058 (2014) (order denying requests for rehearing, granting in part and denying in part requests for clarification, and conditionally accepting tariff revisions on compliance with regard to order listed above); Commission Letter Order, 149 FERC ¶ 61,005 (Oct. 2, 2014) (order granting CAISO's request to extend effective date of Energy Imbalance Market tariff revisions from September 23, 2014, to October 24, 2014, for trading day November 1, 2014).

<sup>4</sup> *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,200 (2014).

<sup>5</sup> *Cal. Indep. Sys. Operator Corp.*, 150 FERC ¶ 61,191 (2015) ("March 16 Order").

proposed tariff amendment.<sup>6</sup> In addition, the Commission concluded that certain readiness safeguards are necessary prior to activating a prospective EIM entity in the Energy Imbalance Market.<sup>7</sup> Accordingly, the Commission directed the CAISO to submit a compliance filing to include requirements in its tariff to ensure the readiness of any new EIM entity. The Commission further required that the certification of market readiness include a sworn affidavit from an officer of the CAISO and an officer of the prospective EIM entity attesting that both have prepared and made ready the systems and processes for the new EIM entity to commence participation in the Energy Imbalance Market.<sup>8</sup>

The CAISO submitted a filing in compliance with the March 16 Order on May 6, 2015, proposing the tariff revisions. Based upon its understanding of the March 16 Order, the CAISO did not include the specific readiness criteria in its tariff revisions. Rather, as explained in that filing, the CAISO launched a stakeholder process on May 7, 2015, by posting proposed readiness criteria to be included in its business practices manual. Based on the two rounds of stakeholder process, the CAISO on July 1, 2015, posted the readiness criteria

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<sup>6</sup> *Id.* at P 34. The Commission also instituted a proceeding under section 206 of the Federal Power Act, in Docket No. EL15-53, to investigate the justness and reasonableness of the Energy Imbalance Market provisions in CAISO's tariff as a result of imbalance energy price spikes in PacifiCorp's balancing authority areas. The CAISO had described these price excursions in its tariff filing and in previous filings in which the CAISO sought temporary waiver of the pricing parameters in sections 27.4.3.2 and 27.4.3.4 of its tariff. *Id.* at P 31. The Commission has subsequently issued additional orders regarding these issues. See *Cal. Indep. Sys. Operator Corp.*, 151 FERC ¶ 61,247 (2015); *Cal. Indep. Sys. Operator Corp.*, 152 FERC ¶ 61,060 (2015). On August 19, 2015, the CAISO filed its available balancing capacity proposal in these dockets to resolve these issues.

<sup>7</sup> March 16 Order at P 30.

<sup>8</sup> *Id.* n.85.

that it intended to apply to NV Energy's market simulation and parallel operations periods scheduled for the two months preceding NV Energy's entry into Energy Imbalance Market.

In a July 21, 2015 Order,<sup>9</sup> the Commission accepted in part and rejected in part the CAISO's compliance filing and tariff revision proposal. It found that the readiness activities and certificate requirements partially complied with the March 16 Order, and conditionally accepted them. The Commission also accepted the proposed tariff revisions requiring CAISO and the potential EIM entity to make a readiness determination.<sup>10</sup> The Commission also directed the CAISO to clarify certain tariff revisions proposed in its May 6 compliance filing and to include the readiness criteria for new EIM entities in the tariff.<sup>11</sup> The Commission directed a compliance filing within 60 days.

Following the July 21 Order, the CAISO conducted a further stakeholder process. The supplemental stakeholder process addressing the readiness criteria and tariff provisions provided the opportunity to further clarify and enhance the readiness criteria and thresholds for meeting those criteria. It also provided further transparency with respect to the readiness activities. On August 28, 2015, the CAISO made the compliance filing incorporating the readiness criteria into its tariff, which is pending before the Commission. The filing reflected the totality of the CAISO's engagement with stakeholders since the March 16

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<sup>9</sup> *Cal. Indep. Sys. Operator Corp.*, 152 FERC ¶ 61,063 (2015) ("July 21 Order")

<sup>10</sup> July 21 Order at P 28.

<sup>11</sup> *Id.* at P 29-30.

Order. As explained in that filing, the thresholds for meeting the criteria reside in the CAISO business practices manual in accordance with the explicit direction of the Commission in the June 21 Order<sup>12</sup> to allow for the flexibility to adjust the thresholds if necessary, to meet the specific circumstances of future prospective EIM entities. This flexibility is necessary to respect the differences among the mechanics, tools, and procedures each EIM entity might use to reliably operate its respective balancing authority area.

On October 1, 2015, the CAISO filed its certification of the readiness of NV Energy to participate in the Energy Imbalance Market. The CAISO explained that the CAISO and NV Energy had satisfied all of the proposed readiness criteria and would ensure that any subsequently identified issues affecting grid or market operations would be identified and resolved prior to November 1, 2015 or that the certification would be amended. NV Energy filed supportive comments. Truckee Donner Public Utility District (“Truckee”) filed a protest and Powerex Corp. (“Powerex”) filed comments.

## **II. ANSWER**

### **A. Pending Matters Before the Commission Do Not Interfere with Readiness, but the CAISO Will Not Proceed with Implementation of NV Energy if Certain of These Matters Remain Unresolved.**

Truckee and Powerex contend that the certification is premature because the Commission has not yet issued an order on the readiness criteria.<sup>13</sup> Truckee also identifies additional matters pending before the Commission that it asserts

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<sup>12</sup> June 21 Order at n. 73.

<sup>13</sup> Truckee Protest at 7, 12-18; Powerex Protest at 4.

require resolution prior to participation of NV Energy in the Energy Imbalance Market: NV Energy's and PacifiCorp's request for authorizations to make market-based Energy Imbalance Market sales in the NV Energy balancing authority area (Docket Nos. ER15-2281, ER15-2282, and ER15-2283); the CAISO's Available Balancing Capacity proposal (Docket No. ER15-861-003); NV Energy's tariff revisions to implement that proposal (Docket No. ER15-1196); the CAISO's year one Energy Imbalance Market enhancements tariff revisions (Docket No. ER15-1919); the CAISO's request for authority to implement market power mitigation on the NV Energy interties (Docket No. ER15-2272); and CAISO's request to waive certain pricing parameters for the first six months of a new EIM entity's participation (Docket No. ER15-2565).

None of these pending proceedings negate the fact that the CAISO and NV Energy have met the readiness criteria as proposed in Docket No. ER15-861-004. The CAISO and NV Energy have demonstrated that the systems and processes are ready to support NV Energy's participation in the Energy Imbalance Market consistent with the proposed criteria. The CAISO agrees that certain tariff authorities are necessary for the implementation of NV Energy into the Energy Imbalance Market on November 1, 2015. The CAISO disagrees with Truckee, however, that the Commission must act in all of the proceedings it lists in order to proceed with the November 1, 2015, integration of NV Energy into the Energy Imbalance Market. Specifically, the CAISO cannot proceed with the November 1 implementation date unless the Commission accepts the CAISO's year one Energy Imbalance Market enhancements in ER15-1919. The year one

enhancement tariff rules and associated software changes are necessary to support multiple EIM entities participating in the Energy Imbalance Market, which first occurs with the addition of NV Energy. In addition, the November 1 implementation date would require Commission approval of the NV Energy request for authorizations to make market-based Energy Imbalance Market sales in the NV Energy balancing authority area in Docket Nos. ER15-2281, ER15-2282, and ER15-2283 and the CAISO's request for authority to implement market power mitigation on the NV Energy interties in Docket No. ER15-2272. The CAISO also requires Commission acceptance of the readiness criteria upon which the certifications are made prior to the integration of NV Energy into the Energy Imbalance Market in order to be certain that the CAISO has fully complied with the Commission's directives in the March 16 and June 19 orders.

The CAISO will delay the NV Energy implementation date if the Commission does not issue orders in these matters prior to that date and will inform the Commission as required by the CAISO tariff and FERC rules of procedure in the event they are not received. As previously explained, there is nothing unreasonable about proceeding as if a compliance filing will be accepted and that is exactly what the CAISO and NV Energy have done. The fact that the CAISO would not proceed without an order on the tariff provisions listing the readiness criteria is sufficient to address Truckee's concerns.

Truckee argues that CAISO's statements regarding its expectations already require a delay in the November 1 implementation date. It is customary for the CAISO to inform the Commission of the timetable it must require to

implement significant enhancements. The CAISO continues to await Commission direction in the pending and necessary matters and will evaluate the feasibility to proceed with the integration of NV Energy into the Energy Imbalance Market at that time. The CAISO will also evaluate and take appropriate actions in the absence of Commission directives within the remaining timeframe. The CAISO reiterates that it will not proceed unless rulings in the matters as outlined above are received in time for completion of the required implementation activities.

The other matters that Truckee identifies will not interfere with the integration of NV Energy into the Energy Imbalance Market. The only pending NV Energy tariff revisions concern the CAISO's available balancing capacity proposal. In its comments filed in support of certification, NV Energy explained that while the available balancing capacity proposal and CAISO's request to waive certain pricing parameters for the first six months of a new EIM entity's participation will enhance the Energy Imbalance Market, they are not necessary to NV Energy's participation.<sup>14</sup> As NV Energy notes, the Commission has already taken action to ensure just and reasonable prices pending implementation of the Available Balancing Capacity concept. Truckee seems to believe that the Commission must first accept the Available Balancing Capacity proposal and, while it supports the transitional pricing proposal, argues it should not be a substitute for readiness. Although the CAISO has previously stated that the Commission should accept the CAISO's proposal for a six-month transition

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<sup>14</sup> NV Energy Comments at 9-10.



period before the entry of a new EIM entity, this is not a prerequisite to the participation of the new EIM entity. Truckee believes that the CAISO's positions have shifted on these measures. Quite the contrary – the CAISO continues to support these measures as responsive to the March 16 Order. Supporting the readiness of NV Energy does not contradict prior CAISO statements with respect to its support of the other elements raised in the March 16 Order—market design, readiness, and residual learning curve issues. The CAISO believes the Commission has struck the right balance between its consideration of the three elements raised in its March 16 Order – market design, readiness, and residual learning curve issues. The CAISO has submitted a proposal to address each element and reiterates its support as filed.

**B. Satisfaction of the Proposed Readiness Criteria Is Sufficient for a Determination of Readiness.**

Truckee and Powerex contend that the parallel operations duration was insufficient to determine readiness.<sup>15</sup> The Commission, however, specifically declined to dictate minimum durations for these activities, and neither Truckee nor Powerex provides any basis for doubting the judgement of CAISO and NV Energy executives that testing has been sufficient. Truckee contends that there should be some practice period after satisfaction of the criteria.<sup>16</sup> That is inconsistent with the Commission's directives that the CAISO establish criteria and demonstrate that the EIM entity has met that criteria prior to implementation. To impose additional procedural requirements after the criteria is met presents

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<sup>15</sup> *Id.* at 8, Powerex Protest at 4-7.

<sup>16</sup> Truckee Protest at 9.

an ambiguous term or condition of service which may unnecessarily delay the benefits of participating in the Energy Imbalance Market. Comparisons to pilots, professional performers, and auto repairs<sup>17</sup> are not apt. The CAISO and new EIM entities should not be subject to arbitrary requirements for undefined practicing periods that unnecessarily delay the benefits to be gained by the integration of new EIM entities. The criteria and the testing durations are the product of extensive stakeholder input. The process did not consider requests for undefined periods of practice after the criteria are met. To impose such requirements after the CAISO and NV Energy have expended significant time and resources developing the criteria and working towards meeting the defined criteria is arbitrary and capricious. Consistent with the Commission's prior directives, once the EIM entity has demonstrated its readiness, it should be permitted to commence actual participation in the Energy Imbalance Market.

Truckee and Powerex attempt to bolster their arguments by pointing to issues that arose during market simulation and parallel operations.<sup>18</sup> Powerex argues for a period of "error-free" or "error-limited" parallel operations.<sup>19</sup> Truckee references issues that were resolved just prior to certification as indicative of readiness. These suggestions attempt to impose additional criteria as part of certification and ignore the readiness process. The purpose of market simulation and parallel operations is to identify and resolve as many "learning curve" issues as possible in the parallel operations environment and to correct any lingering

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<sup>17</sup> *Id.* at 9-10.

<sup>18</sup> Truckee Protest at 9-10, Powerex Protest at 4-7.

<sup>19</sup> Powerex Protest at 6.

software or other issues prior to production. There is no requirement that every system perform perfectly during this timeframe as a precondition to readiness. Indeed, the CAISO occasionally discovers issues after participation commences that it did not previously identify due to the complexity of these systems and the combinatorial nature of events that need to occur to expose such an issue. This does not mean the software was not fully tested or that the systems and procedures are not ready.

Powerex references the resolution of a software defect in late September related to the flexibility procurement target to suggest that NV Energy's readiness to meet the flexible ramping capacity requirement has not been demonstrated. As noted in the market validation report submitted with the certification, this issue may have resulted in the procurement of lesser flexible ramping capacity in the fifteen-minute market. The software issue resulted in the market optimization using a smaller value in the fifteen-minute market in the procurement requirement for flexible ramping constraint in the NV Energy balancing authority area. At times, this issue led to lower on-line available capacity for the five-minute market, which in turn caused more frequent infeasibilities in the five-minute market.<sup>20</sup> However, the defect affected the optimization module but did not impact the flexibility sufficiency test, which used the correct components and procurement target amounts as the test procedure is conducted in a totally separate software module. Contrary to Powerex's suggestion that this issue

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<sup>20</sup> The irrelevance of infeasibilities to readiness during parallel operations is discussed *infra* at pages 13-19.

undermines the validity of the tests, the detection and resolution of the issue demonstrates the efficacy of the process in detecting and resolving issues prior to the launch of the new EIM entity.

In addition, due to the logistics and limitation of running parallel operations, some issues are unique to parallel operations such as data flow issues and the fact EIM transfers were limited to zero most of parallel operations, makes parallel operations more constrained than actual operations would be. It is unreasonable to require that each issue be resolved the first day parallel operations starts, or that each item that is certified be thereafter free of defects for a certain minimum period or retested after a certain minimum period. Doing so would by default extend the duration of parallel operations to an undetermined period of time. As the readiness certification reports, the issues that arose have been resolved or were attributable to the parallel operations environment itself. Executives of both companies have certified that the system and operations are ready for production operation. It does not matter whether completion occurred the first day of market simulation or last day of parallel operation prior to certification.

Moreover, there are 30 days after certification and before the NV Energy implementation date. Three weeks have since passed. The CAISO has the responsibility to revise the certification if any issues arise to call readiness into question, and the CAISO has not done so. As of today, the certification of readiness stands as filed. This is the approved tariff process. Truckee's and Powerex's arguments are an attempt to re-litigate the certification process, which

the Commission accepted in the July 21 Order.<sup>21</sup> In that regard, the CAISO recognizes that at the time of this filing the Commission has not yet approved the proposed readiness, and, as noted above, the CAISO will not proceed with NV Energy's participation in the Energy Imbalance Market absent Commission acceptance. However, the Commission should recognize that the criteria were developed through a robust stakeholder process as directed by the Commission, and significant resources have been expended to develop the criteria and working towards meeting the proposed criteria. In doing so, the Commission should not allow the request of arbitrary and unnecessary requirements prevent the CAISO and the EIM entities from experiencing the benefits the Energy Imbalance Market will provide.

**C. Instances of Market Infeasibilities During Parallel Operations Are Not a Basis for Delaying Participation of NV Energy in the Energy Imbalance Market.**

Both Truckee and Powerex point to incidents of market infeasibilities during parallel operations as a reason to delay participation of NV Energy in the Energy Imbalance Market.<sup>22</sup> Truckee also argues that the improvement in September was due to the CAISO's filtering out infeasibilities due to software or other issues. Truckee believes that, as a result, the certification is flawed because of the way the information was reported by the CAISO. These arguments miss the point of the criteria, the information reported in support of readiness, and the certification itself.

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<sup>21</sup> July 21 Order at P 35.

<sup>22</sup> Truckee Protest at 10-11, Powerex Protest at 5-6.

The CAISO's proposed readiness criteria are tailored to meet the requirements imposed on the EIM entity once the EIM entity is fully participating in the Energy Imbalance Market.<sup>23</sup> Specifically, the EIM entity is required to meet three specific sufficiency tests in every hour of its operations in the Energy Imbalance Market.<sup>24</sup> It is necessary for the CAISO to ensure prior to financially binding operations that the EIM entity is capable of meeting those tests.<sup>25</sup> Consistent with these requirements, the CAISO created readiness criteria that require the prospective EIM entity to meet the tests during 90 percent of the hours during five typical days, which adequately evaluates the EIM entity's ability to meet those requirements in actual EIM operations.<sup>26</sup>

These thresholds continue to be appropriate for purposes of demonstrating readiness to enter the Energy Imbalance Market. As shown in the October 1 certification and the CAISO's September 30 report on parallel operations with NV Energy, NV Energy is more than meeting the thresholds regarding the sufficiency requirements. The CAISO's September 30 report

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<sup>23</sup> See CAISO August 28 Compliance Filing, Transmittal Letter at 17-20 (explaining how the criteria relating to the EIM resource sufficiency tests are designed to ensure that a prospective EIM entity can demonstrate the ability to meet these tests in actual operations).

<sup>24</sup> *Id.* at 17.

<sup>25</sup> *Id.* (explaining that these criteria measure a prospective EIM entity's ability to demonstrate that it can meet the resource sufficiency tests, not whether the prospective EIM entity has sufficient resources to do so and that including criteria to measure capabilities beyond the scope of the resource sufficiency requirements would impose a requirement that an EIM entity is not held to in financially binding operations and therefore would be unjust and unreasonable).

<sup>26</sup> The readiness criteria relating to resource sufficiency are reflected in the tariff in proposed section 29.2(b)(7)(D). The specific 90 percent metrics that the CAISO applies to determine whether a prospective EIM entity has met these criteria are set forth in Appendix D to the CAISO's August 28 compliance filing, and are identified therein as readiness criteria 10-12.

showed that NV Energy met those criteria in the vast majority of intervals for all hours during parallel operation in September: 96 percent of the hours for the power balance test, 99 percent of hours for the flexible ramping test, and all but one hour for the capacity test.<sup>27</sup> The data below provide more granular information on NV Energy's performance regarding the resource sufficiency tests during parallel operations in September.

Criteria	September
% of interval passing the flexibility test	98.67%
Number of days NVE passed flexibility test 100 % of intervals	23 out of 30 days
The lowest daily % of passing flexibility test in month	90%
% of interval passing the Balancing test	96.30%
Number of days NVE passed balancing test 100 % of intervals	14 out of 30 days
The lowest daily % of passing balancing test in month	79.17%

Neither Truckee nor Powerex addresses this data. Rather, they use the data regarding the frequency of under-generation infeasibilities in the 5-minute market during parallel operations with NV Energy in a flawed attempt to demonstrate that the CAISO's readiness criteria are not rigorous enough to prevent a recurrence of the issues experienced after the integration of PacifiCorp's balancing authority areas.<sup>28</sup> The readiness criteria are designed to address the issues experienced last year with the implementation of PacifiCorp into the Energy Imbalance Market. The goal of the readiness criteria is to ensure

<sup>27</sup> CAISO Market Quality of Parallel Operations for NV Energy EIM (September 30, 2015) at 6-8 ("September 30 Report").

<sup>28</sup> *Id.* at 4-5.

that the EIM entity and the CAISO have tested and evaluated their systems and procedures to avoid the types of issues that materialized after the integration of PacifiCorp and that could have been prevented by better readiness activities.

It is inappropriate and unreasonable to increase the requirements and frequency with which the EIM entity must meet these tests during parallel operations in order to eliminate the infeasibilities as suggested by Truckee and Powerex for two reasons. First, as the CAISO has explained in numerous reports and pleadings filed in this docket and others, market infeasibilities can be caused by a number of issues other than supply insufficiency. Indeed, in the case of the infeasibilities encountered with PacifiCorp, the CAISO's investigation and analysis demonstrated that those infeasibilities were not caused by supply scarcity, but rather were due to transitional learning curve issues as well as the fact that EIM does not currently have a mechanism to automatically recognize in the market optimization process the availability and deployment of capacity retained by EIM entities to balance their system. The CAISO anticipates that for the first six months of participating in the Energy Imbalance Market, an EIM entity will inevitably experience more frequent infeasibilities due to these types of issues. For that very reason, the CAISO proposed a six-month transition period to allow the EIM entity and the CAISO to work through the learning-curve issues that could not be identified prior to the implementation date even with the benefit of enhanced readiness requirements.

Second, as the CAISO has explained in multiple filings, the testing environments during parallel operations are inherently limited, and these factors



must be taken into consideration when evaluating an entity's readiness prior to entering the full production environment.<sup>29</sup> Limitations imposed in parallel operations include limitations on EIM Transfers between areas that in most cases would not be experienced in actual production. These EIM transfer limitations contribute to the observed infeasibilities in parallel operations that would not be experienced in actual operations where EIM Transfers are allowed to occur. Market infeasibilities encountered during parallel operations often reflect infeasibilities that would not have occurred during a full production environment. It is also necessary to bear in mind that, during parallel operations, the EIM entity and the CAISO are still identifying and resolving issues and learning how to participate in the new market environment, which involves testing and observing the effects of different factors and making adjustments accordingly.

The CAISO appreciates that the Commission might be concerned if the readiness process showed a continuing high percentage of production issue-related infeasibilities throughout the period of parallel operations. However, the data for NV Energy show the opposite: a substantial decline in the number of infeasibilities in the second half of September for both the fifteen-minute and five-minute markets.<sup>30</sup> The data also illustrates that a majority of the infeasibilities that have occurred during parallel operations with NV Energy have been driven by software defects or data input errors specific for the data simulation or

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<sup>29</sup> See, e.g., CAISO August 28 Compliance Filing, Transmittal Letter at 18-19 (discussing the limitations of the market simulation and parallel operations environment with respect to the resource sufficiency evaluations).

<sup>30</sup> September 30 Report at 8-9.

streaming process that either would not occur in actual operations or would be subject to price correction. Once these issues were identified, the CAISO removed them from the infeasibility data, because they would not result in the application of penalty prices in actual operations.<sup>31</sup>

Parallel operations are also inherently limited in that actual operations inter-balancing authority area transfers are limited during this process, which artificially constrains the EIM solution even further and makes the balancing in the parallel operations even harder than during actual operations. Once the EIM entity enters actual operations, EIM transfers will be available and the CAISO anticipates a significant reduction in the frequency of infeasibilities. Moreover, the integration of NV Energy will benefit, relative to PacifiCorp's experience, from the increased transfer capability across the EIM balancing authority areas, thereby further reducing the likelihood of infeasibilities in any particular balancing authority area. This is due in part to the inherent diversity benefit of adding more balancing authority areas to the Energy Imbalance Market. Also, the Bonneville Power Administration recently increased the dynamic transfer capability limit on the California-Oregon Intertie, which has increased the ability to move energy between the EIM balancing authority areas. As an example of the benefits of increased transfer capacity on the production system, during October the CAISO observed that even a moderate increase of transfer capability has had a notable positive impact on frequency of infeasibilities. In the period of October 8-11, the

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<sup>31</sup> The CAISO also identified and resolved a number of process, modeling, and data submission issues as part of parallel operations, *i.e.* learning curve type issues. *Id.* at 16-20.

five-minute dynamic transfer capability in the production system from the PacifiCorp West balancing authority area to the CAISO increased from about 18MW to 100MW for the on-peak hours. During this same time EIM transfers from the PacifiCorp East to PacifiCorp West balancing authority areas were not available due to scheduled maintenance work. After the transition to increased dynamic transfer capability between PacifiCorp West and the CAISO there was a notable reduction in frequency of infeasibilities in five-minute intervals in the PacifiCorp West balancing authority area.

Therefore, due to the nature of parallel operations, requiring a prospective EIM entity to meet a criterion of no infeasibilities, or even a specific percentage of infeasibilities, during testing will practically eliminate the ability for any new EIM entity to satisfy the readiness criteria in any reasonable timeframe, placing the pending EIM entity in readiness limbo ad infinitum and discouraging adjustment or correction of any data or fine tuning of any process or procedure. This outcome is unreasonable, as it would frustrate the ultimate purpose of the readiness criteria to enable the prospective EIM entity to successfully integrate into the Energy Imbalance Market. The significant reduction in infeasibilities during parallel operations with NV Energy demonstrates that the CAISO and NV Energy have adequately addressed these types of issues to the extent possible in a preproduction testing environment, even though not expressly required by the proposed criteria, and therefore further supports the CAISO's position that NV Energy is ready to be integrated into the Energy Imbalance Market.

### III. CONCLUSION

For the foregoing reasons, the CAISO requests that the Commission reject the protests to the CAISO's and NV Energy's readiness certification.

Respectfully submitted,

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Dated: October 26, 2015

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the above-referenced proceeding, under the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, DC this 26th day of October, 2015.

/s/ Daniel Klein

Daniel Klein