179 FERC ¶ 61,069
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

April 26, 2022

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER22-1094-000

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

Attention: David S. Zlotlow

Dear Mr. Zlotlow:

1. On February 22, 2022, pursuant to section 205 of the Federal Power Act,[1] the California Independent System Operator Corporation (CAISO) submitted revisions to its Open Access Transmission Tariff (Tariff) to address three issues with the Tariff's existing under/over delivery charge that CAISO assesses for deviations from scheduled intertie transactions.[2] In this order, we accept the proposed Tariff revisions, effective as of the actual implementation date, as requested, subject to CAISO filing a notice with the Commission within five days after CAISO's actual implementation date.

2. CAISO states that the purpose of the under/over delivery charge is to create robust financial incentives for market participants to deliver their awarded intertie transactions. CAISO asserts that under its current Tariff rules, for each 15-minute market interval, CAISO assesses an under/over delivery charge to a scheduling coordinator with an intertie transaction if the intertie resource supporting that transaction has a positive

[1] 16 U.S.C. § 824d.

[2] CAISO's Tariff defines the under/over delivery charge as: "For a given Intertie transaction that has an Under/Over Delivery Quantity for a [15-minute market] interval, a charge equal to the product of the Under/Over Delivery Price and Under/Over Delivery Quantity." CAISO, CAISO eTariff, app. A., Definitions, Under/Over Delivery Charge (2.0.0).

under/over delivery quantity.[3] CAISO explains that the under/over delivery charge is the product of the intertie resource's under/over delivery quantity and the under/over delivery price[4] for the resource's corresponding intertie in that 15-minute market interval. According to CAISO, the under/over delivery price is generally 50% of the highest locational marginal price (LMP) at the relevant intertie during the 15-minute period or the three five-minute real-time dispatch intervals corresponding to the 15-minute market interval. CAISO notes that if a scheduling coordinator accepts an award in the automated dispatch system (ADS) and does not deliver the awarded energy, it is subject to an enhanced penalty price of 75% of the highest LMP at the relevant intertie during the relevant interval (enhanced penalty), although both penalties are currently subject to a $10 per MWh minimum price.[5] CAISO adds that over- and under-deliveries are only exempt from the charge under three limited circumstances when: (1) a "Balancing Authority or [Energy Imbalance Market] Transmission Service Provider curtailed the delivery for reliability reasons;" (2) the deviation is part of a schedule using existing transmission contracts or transmission ownership rights; or (3) the deviation is from a dynamic system resource.[6]

3. CAISO, however, asserts that it has identified three ways in which the enhanced 75% penalty does not appropriately reflect the policies underlying CAISO's initial creation of the under/over delivery charge, and proposes targeted tariff amendments to address them. First, CAISO states that the enhanced penalty does not apply to over-deliveries. CAISO explains that section 11.31.2 of its Tariff applies the enhanced penalty only if ADS "recognizes a Scheduling Coordinator as accepting an award at an Intertie . . . and the awarded Energy is not delivered . . . ."[7] According to CAISO, the phrase "is not delivered" restricts the provision so that any over-delivery cannot trigger the enhanced penalty, even though the impact on CAISO from an over-delivered export effectively is the same as an under-delivered import in that both leave CAISO short of its expected supply. To address this issue, CAISO proposes clarifying language in its Tariff so that the provision reflects that the enhanced penalty will apply where the "final quantity of the

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[3] The under/over delivery quantity is the difference between the quantity awarded in the hour-ahead scheduling process (HASP) and the final energy profile on the E-Tag. CAISO February 22, 2022 Filing (Transmittal) at 2.

[4] *Id.*

[5] *Cal. Indep. Sys. Operator Corp.*, 172 FERC ¶ 61,234, at PP 9, 23 (2020).

[6] CAISO, CAISO eTariff § 11.31.1 (6.0.0), § 11.31.1.3 (Exclusions from the Under/Over Delivery Quantity). Transmittal at 2.

[7] CAISO, CAISO eTariff § 11.31.2 (Determining the Under/Over Delivery Price) (4.0.0).

Energy profile on the Intertie transaction's E-Tag is not equal to the quantity accepted in ADS . . . ."[8] CAISO states that this revision will create needed symmetry for the enhanced penalty between under- and over-deliveries relative to the quantity accepted in ADS.

4. Second, CAISO notes that the current Tariff does not contemplate a scenario in which a scheduling coordinator could deviate from its HASP award both because of a reliability curtailment and because it did not secure sufficient energy for the intertie transaction. CAISO states that this can lead to situations where a scheduling coordinator could timely notify CAISO of a shortfall but still be subject to an enhanced penalty because a reliability curtailment caused it to not meet its ADS-accepted quantity. To address this issue, CAISO proposes to clarify that the scheduling coordinator will not face the enhanced penalty if the deviation between the ADS-accepted quantity and the final energy profile quantity is due to a reliability curtailment beyond the scheduling coordinator's control.[9]

5. Third, CAISO notes that under the current Tariff, the floor price under the enhanced penalty is the same as the floor price under the normal penalty. According to CAISO, this means that when market prices are low, a scheduling coordinator subject to the enhanced penalty effectively faces the same penalty price as under the standard penalty provisions, which does not reflect the fundamental policy that deviation from ADS should subject the scheduling coordinator to a materially larger penalty because that conduct imposes greater burdens on CAISO operators and increases reliability risks. CAISO therefore proposes to raise the floor price for the enhanced penalty from $10 per MWh to $15 per MWh.[10]

6. Notice of CAISO's filing was published in the *Federal Register*, 87 Fed. Reg. 11,061 (Feb. 28, 2022), with interventions and protests due on or before March 15, 2022. Timely motions to intervene were filed by NRG Power Marketing LLC, Brookfield Renewable Trading and Marketing LP, Powerex Corp., Northern California Power Agency, Modesto Irrigation District, and the City of Santa Clara, California. No protests were filed.

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[8] CAISO, CAISO eTariff, Proposed § 11.31.2, Determining the Under/Over Delivery Price (5.0.0). Transmittal at 3.

[9] CAISO, CAISO eTariff, Proposed § 11.31.2, Determining the Under/Over Delivery Price (5.0.0). Transmittal at 3-4.

[10] CAISO, CAISO eTariff, Proposed § 11.31.2, Determining the Under/Over Delivery Price (5.0.0). Transmittal at 4.

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2021), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

8. We accept CAISO's proposed Tariff revisions, effective as of the actual implementation date, as requested, subject to CAISO filing a notice with the Commission within five days after CAISO's actual implementation date.[11] We also find good cause to grant CAISO's request for waiver of the 120-day notice requirement contained in section 35.3(a)(1) of the Commission's regulations,[12] to allow the proposed Tariff revisions to become effective upon implementation.

9. We find that the proposed Tariff revisions appear to be just and reasonable, and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful. We find that the proposed Tariff revisions, by clarifying and enhancing the Tariff's existing under/over delivery charge, would improve incentives for market participants to deliver their awarded intertie transactions, which, in turn, should improve market efficiency and decrease the need for out-of-market actions to maintain reliability. Taken together, the proposed Tariff revisions improve CAISO's current Tariff rules on the under/over delivery charge and ensure more complete realization of the policy intent behind the under/over delivery charge by better incentivizing market participants to deliver their awarded intertie transactions. We also note that the proposed Tariff revisions are uncontested.

By direction of the Commission.

Debbie-Anne A. Reese,
Deputy Secretary.

[11] CAISO must submit a filing to confirm the actual effective date for the Tariff revisions using Type of Filing Code 150 – Report within five days after the actual implementation date.

[12] 18 C.F.R. § 35.3(a)(1) (2021).