



April 6, 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. ER22-1394-\_\_\_\_\_**

**Supplemental Filing in Support of Amendment No. 1 to Joint  
Owned Unit Pilot Agreement and Requests for Shortened  
Comment Period, Waiver of Notice Requirement, and Expedited  
Order**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) submits this filing (Supplemental Filing) to supplement the record in support of Amendment No. 1 (Amendment) to the Joint Owned Unit Pilot Agreement (Pilot Agreement) among the CAISO, Public Service Company of New Mexico (PNM), and Tucson Electric Power (TEP) filed for Commission approval in this proceeding on March 18, 2022. The Amendment documents targeted modifications to the technical requirements for the pilot program governed by the Pilot Agreement. These modifications will support TEP's participation in the Western Energy Imbalance Market (WEIM) by accounting for issues identified during the refinement and implementation of the pilot program.

The CAISO has determined that it would be beneficial to supplement the explanation of the Amendment provided in the March 18 filing to assist the Commission's consideration of the Amendment. This Supplemental Filing does not modify the specific contract revisions in the Amendment, but does provide more detail on why certain revisions to the Pilot Agreement that may affect rates, terms and conditions of service are appropriate and justified in order to facilitate the participation of TEP in the WEIM and provide resulting benefits to consumers.

The CAISO continues to respectfully request that the Commission waive the 60-day notice requirement and accept the updated Pilot Agreement to become effective May 3, 2022. Further, the CAISO respectfully requests that the

Commission issue an order accepting the Amendment by April 29, 2022, to provide regulatory certainty prior to the May 3, 2022 implementation of TEP into the WEIM. The CAISO also requests that comments on the Amendment as supplemented by this Supplemental Filing be due no later than ten days from today. This shortened comment period is justified by both the need for regulatory certainty prior to May 3, 2022 and the fact that this Supplemental Filing does not modify the Amendment itself.

## I. Background

The Pilot Agreement sets forth the terms under which the CAISO models a single resource located in the PNM balancing authority area shared by PNM and TEP to facilitate participation by a portion of the shared resource's output in the WEIM on a pilot basis. The Commission found the original version of the Pilot Agreement to be just and reasonable and found it would assist in TEP's efforts to commence participation in the WEIM in 2022 and accepted the original version of the Pilot Agreement on December 21, 2021, to be effective the next day.<sup>1</sup>

As noted in the December 21 Order,<sup>2</sup> an essential purpose of the Pilot Agreement is to define the relationship between the technical requirements for the pilot program and the existing WEIM resource participation requirements included in the CAISO's *pro forma* service agreements and tariff. The Pilot Agreement includes requirements that result in differences between how "child resources" (*i.e.*, the individual resource shares) participate in the WEIM and how the "parent resource" (*i.e.*, the resource shared among several parties) would otherwise participate in the WEIM. The parent resource is the Luna Energy Facility, a 570 MW natural gas-fired power plant consisting of a 2x1 combined cycle power block, which is shared equally among PNM, TEP, and a third party that will not be participating in the WEIM. The child resources are derived from the parent resource and represent different resource sharing arrangements.

Attachment A to the Pilot Agreement (Attachment A) includes the technical requirements for the pilot program, most of which define how the parent resource's physical characteristics are reflected in the child resources for purposes of WEIM participation. Once the parent resource's physical characteristics are registered and reflected in the child resources, those characteristics are accounted for in the CAISO real-time market much the same as any other individual WEIM resource. Attachment A also addresses matters such as resource registration, cost calculation, bidding, schedules, manual

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, 177 FERC ¶ 61,214, at PP 3, 12-13 (2021) (December 21 Order).

<sup>2</sup> *Id.* at P 6.

dispatch, ramp rates, outage management, metering, and settlement.<sup>3</sup> In the December 21 Order, the Commission “agree[d] with CAISO that identifying and resolving technical issues through the Pilot [program] could assist CAISO and stakeholders in evaluating this functionality and developing a tariff-based mechanism to address these issues, which, in turn, could benefit other interested market participants that may have similar circumstances.”<sup>4</sup>

The Pilot Agreement states that the technical requirements in Attachment A may be modified by mutual agreement of the parties, and that any change to Attachment A that affects the rates, terms, and conditions of service (*i.e.*, any change other than an implementation detail) must be filed with and accepted by the Commission as an amendment to the Pilot Agreement in order for the change to be binding on the parties.<sup>5</sup>

The sole purpose of the Amendment submitted for Commission approval in this proceeding is to modify some of the technical requirements in Attachment A. The parties to the Pilot Agreement agreed to these modifications in March 2022 to reflect implementation changes and clarifications identified during the development of the pilot program.<sup>6</sup>

## **II. Further Explanation for Key Revisions to the Pilot Agreement**

The CAISO believes additional explanations of some of the key changes to the technical requirements in Attachment A to the Pilot Agreement will assist the Commission in finding that the Amendment is just and reasonable. Part I of Attachment A provides that the technical requirements in the attachment “may be modified in accordance with Section 3.4 of the Pilot Agreement as may be necessary to resolve any conflict with CAISO Tariff provisions, ensure feasible outcomes from the JOU Pilot, increase the mutual benefit from the project, or account for unanticipated circumstances.” As the parties to the Pilot Agreement moved forward in refining the pilot program and preparing for the participation of TEP in the WEIM, they identified a number of needed modifications and clarifications. Consistent with Section 3.1 of the Commission-accepted Pilot Agreement, any changes to Attachment A that affect rates, terms, and conditions of service must be filed for Commission acceptance. The following is an explanation of the Amendment changes in Part II of Attachment A significantly affecting rates, terms, and conditions of service.

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<sup>3</sup> *Id.* at P 7.

<sup>4</sup> *Id.* at P 13.

<sup>5</sup> Pilot Agreement, Sections 3.4 and 9.8.

<sup>6</sup> First Amendment to the JOU Pilot Agreement executed by the CAISO, PNM, and TEP, at Recitals B and C.

A new Section 1.10.1 in Attachment A provides that the scheduling coordinator representing the child resource will be allowed to register the heat rate for its child resource in the CAISO Master File, under the sole condition that the new heat rate it seeks to register has been used to establish the currently effective negotiated rate option default energy bid (DEB). The initial design of the pilot program would have allowed input of the parent resource heat rate only, which then would be allocated to the child resources. The CAISO later determined that the pilot program should only permit a negotiated rate option DEB. The Pilot Agreement permits a 1 MW Pmin for child resources, which has an impact on the CAISO's capability to calculate other DEBs that was not initially apparent. During implementation, complexities associated with extending regular DEB heat rates to the Pmin of the child resources manifested. Accordingly, the parties adopted the negotiated DEB option as it is more flexible and would support timely implementation. PNM and TEP also pointed out that their child resources would require different heat rates to develop appropriate default energy bids at the child resource level under the negotiated rate option. In order to support this design refinement, the scheduling coordinators for the child resources will now be allowed to enter the child resource heat rates in the Master File. Since this right to update the heat rates at the child resource level is only allowed in support of the negotiated rate option DEB, revised Attachment A specifies that the heat rate for the child resources can only be updated after those new heat rates were included in an updated negotiated rate option DEB. Otherwise, the child resource would have a negotiated rate option DEB not reflective of the registered heat rate for the child resource in question.

The remaining significant changes to Attachment A are in Section 5 of Part II governing the participation of child resources from the joint owned unit in CAISO markets.

Section 5.3 is revised to make it clear that scheduling coordinators for the child resources and the parent resource may not submit a revised DEB curve as part of the variable cost option for establishing a DEB. A revised DEB curve can only be submitted under the variable cost option. This change was necessary after the CAISO determined the pilot program should only permit a negotiated rate option DEB. The CAISO clarifies that this revision does not prohibit the submission of updated negotiated rate option DEBs, consistent with Section 1.10.1.

For similar reasons, Section 5.5 is revised to make it clear that a DEB reasonableness threshold will not be calculated for the joint owned unit parent resource or child resources. The DEB reasonableness threshold is calculated only for resources using the variable cost DEB option. Since this DEB option is not available to resources under the pilot program, a DEB reasonableness threshold will not be calculated for those resources.

Section 5.9 is revised to establish that the parent resource will be recognized to be in “Start-Up” mode when it meets the same conditions for entering “Start-Up” mode that are applicable to EIM resources not under the pilot program. If the parent resource is recognized by the CAISO systems to not be in Start-Up mode, the parent resource will retain its prior commitment status. If the parent resource retains its commitment status as “Off,” submitted base schedules from the parent resource and child resources will be ignored by the CAISO’s systems. The initial design for the pilot program included the potential for a custom design in CAISO’s base schedule system functionality and the real-time dispatch for resources under the pilot program, where the minimum down-time of the pilot program resources would be considered as part of the evaluation for start-up mode. The CAISO identified technical challenges with this approach and decided to align the rules applicable to resources under the pilot program with the rules applicable to EIM resources not under the pilot program regarding determination of start-up status. The parent resource is considered to be in start-up mode if child resource base schedules are lower (in aggregate) than PMin – the CAISO certified minimum operating level – of the parent resource in the fifteen minute market.

The CAISO also identified a needed clean-up change in Section 5.17. As documented in this section, since the commitment of a joint owned unit must be at the physical plant level, once one of the child resources is self-committed by submitting a self-schedule or base schedule, then the entire plant is considered self-committed; hence, if another child resources has a bid, the CAISO markets are able to schedule the child resource without the consideration of committing the plant again. The CAISO deleted a reference to self-schedules or base schedules of other child resources being entered “to at least their PMin.” This phrase could have been read to incorrectly imply that there were self-schedules or base schedules inserted for child resources, to add up to the PMin of the parent resource. The CAISO will perform no insertion of such self-schedules or base schedules in these circumstances.

Language is added to Section 5.26 to ensure that manual dispatch of resources under the pilot program is feasible, and that the energy produced by the parent resource is supported by the sum of energy from the child resources. The added language establishes that, if the dispatch of all active child resources to their maximum available mega-watt (MW) capacity results in an aggregate MW level lower than the PMin of the parent resource, the CAISO will create WEIM manual dispatch instructions for inactive child resources as well, such that the aggregate MW level of dispatch considering all the child resources equals the PMin of the parent resource. This change addresses hypothetical scenarios where there may not be sufficient active child resources in the market to support the PMin of the parent resource.

A related change in Section 5.26.1 clarifies implementation details when WEIM manual dispatch instructions are created to dispatch child resources to their intermediate PMin. This section previously had a sentence indicating that the CAISO might distinguish between active and inactive child resources in issuing such WEIM manual distich instructions to intermediate PMin. However, these dispatches will occur in a post-market time frame when the CAISO will not have the functionality to determine which of the registered child resources were active or inactive during the applicable market interval. Therefore, the WEIM manual dispatch instructions to intermediate PMin will be applied to all the child resources.

### **III. Effective Date and Requests for Shortened Comment Period, Waiver of Notice Requirement, and Expedited Order**

The CAISO continues to request that the Commission accept the Pilot Agreement, as revised by this Amendment, effective May 3, 2022. May 3 is the date on which TEP is now anticipated to commence participation in the WEIM, and TEP's implementation has been progressing based on the Pilot Agreement, including revisions proposed in the Amendment. Therefore, the CAISO respectfully requests that the Commission grant a waiver of its notice requirement to permit this effective date, which is fewer than 61 days after the CAISO submitted the Amendment on March 18.<sup>7</sup> In order to provide regulatory certainty to the affected parties, the CAISO also respectfully requests that the Commission issue an order by April 29, 2022, accepting the Amendment without condition or modification.

In order to allow a Commission to issue an order by April 29, the CAISO respectfully requests that the comment period for the Amendment filing, as supplemented by this Supplemental Filing be set by no later than April 16, 2022, ten days after the date of this Supplemental Filing. The shortened comment period is appropriate because the CAISO is only providing additional explanations in support of certain key contract revisions included in the Amendment and is not revising any aspect of the Amendment. As such, interested parties will have a full opportunity to provide any comments of the Amendment.

Good cause exists for the Commission to grant these requests. Commission issuance of an order accepting the filing by April 29, 2022 will give the CAISO and TEP regulatory certainty and the necessary time to account for implementation of the Amendment on May 3, 2022, the planned implementation date for TEP to join the WEIM. TEP participation in the WEIM will provide benefits both to customers in

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<sup>7</sup> Specifically, pursuant to Section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, the CAISO respectfully requests waiver of the 60-day notice requirement contained in Section 35.3(a)(1) of the regulations, 18 C.F.R. § 35.3(a)(1).

the region joining the WEIM and to existing WEIM participants. Therefore, granting the CAISO's requests is appropriate.

#### **IV. Service**

The CAISO has served copies of this filing upon all parties in this proceeding, all parties in the proceeding in which the CAISO filed the original version of the Pilot Agreement (Docket No. ER22-190), the California Public Utilities Commission, and the California Energy Commission. The CAISO has also posted this filing on its website.

#### **V. Conclusion**

For the reasons provided in the March 18, 2022 filing and in this Supplemental Filing, the CAISO requests that the Commission accept the Pilot Agreement as revised by the Amendment effective May 3, 2022, and issue an order accepting this filing by April 29, 2022.

Respectfully submitted,

**By: /s/ John C. Anders**

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## **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 6th day of April, 2022.

*/s/ Jacqueline Meredith*

Jacqueline Meredith  
An employee of the California ISO