

186 FERC ¶ 61,170
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Willie L. Phillips, Chairman;
Allison Clements and Mark C. Christie.

California Independent System Operator Corporation Docket No. ER24-379-000

ORDER ACCEPTING IN PART AND REJECTING IN PART TARIFF REVISIONS

(Issued March 7, 2024)

1. On November 13, 2023, pursuant to section 205 of the Federal Power Act (FPA)¹ and part 35 of the Commission's regulations,² the California Independent System Operator Corporation (CAISO) filed proposed revisions to its Open Access Transmission Tariff (Tariff) to enable the CAISO Balancing Authority (BA) to participate in the Extended Day-Ahead Market (EDAM).³ The proposed Tariff revisions include five sets of revisions: (i) settling transfer system resources; (ii) settling transfer revenue; (iii) settling EDAM resource sufficiency evaluation (RSE) failure surcharges; (iv) calculating EDAM historical revenue recovery; and (v) enabling the net EDAM export transfer constraint. As discussed below, we accept in part and reject in part CAISO's proposed Tariff revisions, effective as of the actual implementation date, subject to CAISO notifying the Commission of the actual effective date within five business days after CAISO's actual implementation date.

I. Background and Instant Filing

2. On December 20, 2023, the Commission accepted two sets of Tariff revisions that will implement CAISO's Day-Ahead Market Enhancements (DAME) and EDAM framework.⁴ The Commission found in the DAME/EDAM Order that EDAM has the potential to yield significant benefits to the voluntary participants, including economic

¹ 16 U.S.C. § 824d.

² 18 C.F.R. pt. 35 (2023).

³ *Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210 (2023) (DAME/EDAM Order).

⁴ *Id.*

and reliability benefits. The Commission also recognized that each EDAM Entity⁵ will operate pursuant to its respective open access transmission tariff, which will require certain transmission adaptations and resource sufficiency demonstrations.⁶ Further, the Commission noted that EDAM Entities will have to revise their open access transmission tariffs prior to joining EDAM to avail themselves of some of the proposed features of the EDAM transmission framework.⁷

3. In the instant filing, CAISO explains that it reviewed its Tariff and identified the following revisions as necessary to enable the CAISO BA to participate in EDAM upon go-live. CAISO states that because EDAM builds upon the foundation of the day-ahead market operating today in the CAISO Balancing Authority Area (BAA),⁸ the Tariff revisions necessary to enable the CAISO BA's participation in EDAM are relatively limited in scope.⁹

A. Settling Transfer System Resources

4. CAISO states that the EDAM framework establishes a market structure that will allow CAISO, as the market operator,¹⁰ to settle the import/export transfers with EDAM Entities (including the CAISO BA) and also settle the transfer system resources supporting such transfers directly with EDAM Entities (including the CAISO BA).¹¹

⁵ Balancing authorities that elect to join EDAM are titled EDAM Entities. CAISO, CAISO eTariff, app. A (Definitions) (0.0.0) (defining EDAM Entity).

⁶ DAME/EDAM Order, 185 FERC ¶ 61,210 at PP 42-43.

⁷ *Id.* P 308.

⁸ References to the CAISO BAA refer to the collection of generation, transmission, and loads within the metered boundaries of the CAISO Balancing Authority. *See* CAISO, CAISO eTariff, app. A (Definitions) (0.0.0) (defining Balancing Authority Area).

⁹ CAISO November 10, 2023 Transmittal at 3-4 (Transmittal). CAISO states that each set of Tariff revisions are separate and severable from the other elements of its proposal. *Id.* at 2 n.4 (citing *NRG Power Mktg., LLC v. FERC*, 862 F.3d 108, 114-15 (D.C. Cir. 2017) (*NRG*)).

¹⁰ Except where this order specifically refers to CAISO in its role as market operator of EDAM, references to CAISO or the CAISO BA refer to CAISO in its role as an EDAM Entity.

¹¹ Transmission across interfaces between EDAM BAAs may have limitations or other constraints, leading to price separation of the marginal energy cost component

CAISO states that a transfer system resource is a resource used to model an energy or capacity market transfer between two EDAM Entities in the market area.¹² CAISO explains that as the market operator, CAISO will model EDAM transfer system resources as an aggregation of all resources at a defined point and settle those transfer system resources at the applicable marginal energy cost, similar to how CAISO models Western Energy Imbalance Market (WEIM) transfer system resources. CAISO states that as a market participant in EDAM, a set of transfer system resources will be associated with the CAISO BA, and the CAISO BA will support transfer schedules between EDAM Entities. According to CAISO, the CAISO BA's participation in EDAM will result in surcharges and revenues for transfer system resources associated with pricing nodes on the CAISO side of any market transfer. CAISO explains that it proposes a two-tier allocation for transfer system resource settlements to ensure charges and payments associated with transfer system resources in the CAISO BAA and external BAAs remain revenue neutral.¹³

5. CAISO proposes to first allocate transfer system resource revenue or surcharges associated with a contract reference number to existing transmission contract (ETC) and transmission ownership rights (TOR) holders. When CAISO settles transfer system resource revenue or surcharges traceable to a contract reference number for an ETC/TOR holder within the CAISO BAA that self-scheduled its resource on its existing transmission rights, CAISO proposes to settle the associated revenue or surcharges directly with the applicable scheduling coordinator for the ETC/TOR holder. CAISO states that the second tier would apply where CAISO cannot associate a resource supporting the transfer system resource with an ETC/TOR contract reference number and self-schedule. CAISO states that in such a circumstance, it proposes a proportional allocation to all scheduling coordinators in the CAISO BAA based on each scheduling coordinator's proportion of metered demand. CAISO states that in the day-ahead time horizon, CAISO will net revenue against surcharges for transfer system resources supporting EDAM transfers of energy and capacity on an hourly basis and distribute to

between the BAA where the constraint is located and the rest of the EDAM area. Under the EDAM framework, rather than settling this price separation under the umbrella of congestion revenue using one settlement charge code, CAISO proposed to separate this revenue component and settle it as transfer revenue, independently from accrued congestion revenue. DAME/EDAM Order, 185 FERC ¶ 61,210 at P 418; CAISO, CAISO eTariff, § 33.11.1 (Transfer Revenue and Congestion Revenue Allocation) (0.0.0), §§ 33.11.1.1, 33.11.1.2.

¹² See CAISO, CAISO eTariff, app. A (Definitions) (0.0.0) (defining Transfer System Resource (TSR)).

¹³ Transmittal at 4-5.

individual scheduling coordinators in the CAISO BAA based on their metered demand in that hour. CAISO states that with respect to transfer system resources supporting WEIM transfers of energy in real time, CAISO proposes to net all real-time revenue against surcharges on an hourly basis and distribute to scheduling coordinators in the CAISO BAA based on the scheduling coordinators' metered demand in that hour.¹⁴

B. Settling Transfer Revenue

6. CAISO explains that under the EDAM framework, entities that voluntarily release their transmission rights ahead of the day-ahead market are eligible to receive a share of EDAM transfer revenue and WEIM transfer revenue.¹⁵ CAISO states that as a BA in the WEIM and EDAM, CAISO is eligible to receive applicable transfer revenues generated in both markets. CAISO states that it proposes to allocate those revenues to the scheduling coordinators for ETC/TORs that released their rights to the market. CAISO asserts that this is consistent with the EDAM framework.¹⁶

7. CAISO states that it proposes to settle directly with scheduling coordinators that released their ETC/TOR rights by using the contract reference number associated with the ETC/TORs. CAISO proposes that where transfer revenue exceeds the revenue from ETC/TOR MWs released in advance of the day-ahead market, such revenue would be allocated to scheduling coordinators for ETC/TORs that exercised their rights based on the individual proportion of scheduled transmission rights supporting the transfer. CAISO states that where transfer revenue is not attributed to ETC/TORs, it proposes to allocate such revenue to all scheduling coordinators in the CAISO BAA based on each scheduling coordinator's portion of measured demand, inclusive of generation and exports. CAISO asserts that this methodology is consistent with CAISO's distribution of similar congestion-related funds.¹⁷

¹⁴ *Id.* at 6.

¹⁵ CAISO states that transfer revenue will materialize in EDAM only in the event there is price separation between the marginal energy costs on both sides of the transfer. CAISO states that, likewise, WEIM transfer revenue materializes only when there is a difference in marginal energy cost between the EDAM Entities on either side of the WEIM transfer. *Id.* at 7-8.

¹⁶ *Id.* at 8.

¹⁷ *Id.* at 8-9.

C. Settling EDAM RSE Failure Surcharges

8. CAISO states that the EDAM framework provides for evaluation of the CAISO BA's resource sufficiency and the allocation of revenue and surcharges to the CAISO BA in the event of EDAM RSE failures. CAISO states that it is unable to identify a traceable mechanism to link the CAISO BA's passage or failure of the RSE to specific generators or load-serving entities. CAISO explains that until it and its stakeholders can develop a means to match the CAISO BA's daily EDAM RSE obligations with the performance of individual resources and/or the resource adequacy of the load-serving entities in the CAISO BAA, it proposes that revenue and surcharges associated with the EDAM RSE be allocated to all scheduling coordinators in the CAISO BAA based on metered demand. CAISO argues that the metered demand proxy is an appropriate mechanism to distribute surcharges and revenues when cost causation cannot be directly traced to individual entities. CAISO states that it will continue to work with stakeholders to determine a long-term solution for the distribution of RSE failure surcharges.¹⁸

D. Calculating EDAM Historical Revenue Recovery

9. CAISO explains that because EDAM participation may affect the current allocation of revenues a transmission owner receives for the use of its transmission system, the EDAM Access Charge is designed to recover shortfalls relative to historical revenues.¹⁹ CAISO states that under the EDAM framework, an EDAM Entity would recover from other EDAM Entities transmission revenue that is comparable to its historical cost recovery prior to EDAM participation based on three types of costs: (1) foregone historical transmission revenue from sales of short-term firm and non-firm transmission products under the transmission service provider's tariff; (2) new, approved costs for transmission that increases the transfer capability between EDAM Entities based on the proportional ratio of historical short-term sales to the overall historical transmission revenues; and (3) foregone revenues for use of the transmission system when wheeling through transfer volumes in an EDAM Entity's BAA are greater than total import and export transfer volumes for the BAA.²⁰

10. CAISO proposes to amend section 26.2 of the Tariff,²¹ which governs access charges for day-ahead market transactions serving load in the CAISO BAA, to accommodate the CAISO BA's participation in EDAM. CAISO states that, consistent

¹⁸ *Id.* at 9-10.

¹⁹ *Id.* at 11.

²⁰ *Id.*

²¹ CAISO, CAISO eTariff, § 26.2 (Total EDAM Recoverable Revenue) (2.0.0).

with the EDAM Tariff provisions, the proposed amendments will allow participating transmission owners (PTO) in the CAISO BAA to recover: (1) historical Wheeling Access Charge (WAC) revenues for CAISO transmission owners; (2) a portion of revenues associated with new approved transmission builds that increase the transfer capability between the CAISO BA and other EDAM Entities; and (3) revenues for use of the transmission system when wheeling through transfer volumes are greater than total import and export transfer volumes for the CAISO BA.²²

E. Enabling the Net EDAM Export Transfer Constraint

11. CAISO explains that the net export transfer constraint is a voluntary mechanism in the EDAM construct that allows an EDAM Entity to communicate the capacity that can be optimized to support transfers to another EDAM BAA. The proposed net export transfer constraint contains two components that an EDAM Entity's operators can adjust to increase or decrease the amount of transfers that EDAM can schedule out of the BAA in the day-ahead market: (1) the confidence factor, and (2) reliability margin. CAISO states that an EDAM Entity can use the configurable confidence factor and reliability margin to ensure it meets its own supply needs by limiting the supply that can be optimized to support the needs of other EDAM Entities.²³

12. CAISO further explains that the EDAM framework provides EDAM Entities the opportunity to determine if a fixed value or hourly variable should be used for the confidence factor and reliability margin which informs the hourly limit for the EDAM Entity. CAISO states that the stakeholders in CAISO prefer the option to use the hourly variable approach to configure the confidence factor and reliability margin, which they expect will allow operators to meet changing system conditions throughout the day. Therefore, CAISO proposes to use a tunable confidence factor and reliability margin as well as always enabling the net export constraint for the CAISO BA. CAISO states that the process to determine the dynamic inputs into the net transfer constraint will be contained in the Business Practice Manual.²⁴

II. Notice and Responsive Pleadings

13. Notice of the filing was published in the *Federal Register*, 88 Fed. Reg. 80,708 (Nov. 20, 2023), with interventions and protests due on or before December 4, 2023. Calpine Corporation; NRG Business Marketing LLC; Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; California Department of Water

²² Transmittal at 11-12.

²³ *Id.* at 13.

²⁴ *Id.* at 13-14.

Resources State Water Project; City of Santa Clara, California; PacifiCorp; Northern California Power Agency; and Modesto Irrigation District filed timely motions to intervene. Pacific Gas and Electric Company (PG&E) and CAISO's Department of Market Monitoring (DMM) filed timely motions to intervene and comments. Southern California Edison Company (SoCal Edison) filed a timely motion to intervene and limited protest. On December 19, 2023, CAISO filed a motion for leave to answer and answer.

A. Comments

14. PG&E states that it supports CAISO's proposed Tariff amendments as crucial for enabling the CAISO BA to participate in EDAM. PG&E asserts that CAISO BA participation in EDAM will contribute extensive reliability, economic, and environmental benefits across the Western region. PG&E notes that, while EDAM's new market design poses challenges for each EDAM Entity, the net export transfer constraint will be useful for addressing some of these challenges.²⁵

15. DMM also supports CAISO's proposed Tariff revision guidelines for determining the CAISO BA's net export transfer constraint limits. For the constraint to be effective in preventing shifting of responsibility for load curtailment from another EDAM Entity, DMM states that an EDAM Entity's procedures for implementing its own net export constraint must allow sufficient flexibility to cover the dynamic nature of other EDAM Entities' load and resource uncertainty. According to DMM, CAISO's proposal to set the initial confidence factor at zero percent at the start of EDAM seems reasonable because it simplifies the operators' job in setting the net export constraint each hour to only determining an appropriate level for the reliability margin. With respect to the reliability margin, DMM states that CAISO's two proposed criteria for setting the reliability margin in stressed hours are reasonable guidelines that will still provide CAISO BA system operators discretion to set the reliability margin above the maximum of these criteria during stressed hours. In addition, DMM states that the proposal to not set a pre-determined minimum level for the reliability margin in non-stressed conditions seems reasonable, because reducing restrictions of EDAM transfers during these conditions should increase EDAM benefits for both the source and sink BAAs of EDAM transfers.²⁶

16. Finally, DMM states that it supports CAISO's proposed Tariff revisions concerning CAISO's proposed RSE failure surcharge allocation, believing it is a reasonable interim approach to facilitate EDAM's initial implementation. DMM asserts that, to the extent possible, EDAM Entities should allocate EDAM RSE failure costs to those who can act to avoid or cause the costs. DMM notes that CAISO has discussed

²⁵ PG&E December 1, 2023 Comments at 1-2.

²⁶ DMM December 4, 2023 Comments at 2, 5-7.

considering a cost allocation framework in Track B of its CAISO BA EDAM participation initiative that better assigns costs of failures to entities causing the costs, and that it looks forward to working with CAISO and stakeholders developing the details of such an allocation policy.²⁷

B. SoCal Edison Protest

17. In its protest, SoCal Edison argues that CAISO has improperly proposed to include the Subscriber PTO model in CAISO's implementation of the DAME/EDAM Tariff provisions.²⁸ SoCal Edison states that although it does not disagree with the general allocation methods set forth in the three allocation components for calculating historical revenue recovery, it protests CAISO's proposal to include any prospective Subscriber PTOs, or other PTOs, in the allocation of EDAM recoverable revenue. First, SoCal Edison argues that there is no basis for a Subscriber PTO to receive historical WAC recoverable revenue because no Subscriber PTO will have historical transmission service revenues to constitute historic WAC revenues, nor will any Subscriber PTO collect WAC, given that they will not be the provider of transmission service, since CAISO provides that function. Second, SoCal Edison avers that CAISO's proposal would provide windfall revenues to Subscriber PTOs simply because they exist, claiming that providing WAC revenue to Subscriber PTOs is meritless because the Subscriber PTO could have no pre-EDAM plans for new transmission additions. Third, SoCal Edison argues that there is no basis for Subscriber PTOs to receive excess wheel through recoverable revenue because a Subscriber PTO will be a part of the CAISO BAA and cannot have any incremental wheel throughs but for being part of EDAM. SoCal Edison argues that CAISO's proposal to award such revenue to Subscriber PTOs is unjust and unreasonable and requests the Commission accept the filing subject to the condition that CAISO revises section 26.2 to state that Subscriber PTOs are not eligible for any component of EDAM recoverable revenue.²⁹

²⁷ *Id.* at 8-9.

²⁸ SoCal Edison December 4, 2023 Protest at 2 (SoCal Edison Protest). Under CAISO's proposed Subscriber PTO model, developers can build new transmission facilities outside the CAISO BAA that are placed under CAISO's operational control; however, the costs to construct these facilities would be paid for solely by subscribers of the projects rather than incorporated into the CAISO TAC. *See* CAISO, Transmittal, Docket No. ER23-2917-000, at 3 (filed Sept. 22, 2023).

²⁹ SoCal Edison Protest at 2-5.

18. SoCal Edison argues that the Commission should act on the instant filing only after ruling on the foundational issues in Docket Nos. ER23-2686 and ER23-2917.³⁰ SoCal Edison asserts that ruling on the instant proceeding prior to those related proceedings would be premature.³¹

C. CAISO Answer

19. CAISO states that, contrary to SoCal Edison's protest, it is appropriate to include Subscriber PTOs in the calculation of historical WAC recoverable revenue "only if consistent with section 26.1 and Appendix F, Schedule 3" of the Tariff. CAISO states that, by including that language in the proposed revisions, it has addressed the concern raised by SoCal Edison. Regarding SoCal Edison's arguments on new transmission project recoverable WAC revenue, CAISO asserts that SoCal Edison overlooks CAISO's mechanism to limit new transmission additions to those consistent with an approved rate schedule for the Subscriber PTO. CAISO states that it has thus addressed the risk of undue recovery. Finally, CAISO argues that, although it generally agrees with SoCal Edison that it is unlikely a Subscriber PTO will be eligible for excess wheel-through recoverable revenue, CAISO has proposed Tariff language to accommodate the Subscriber PTO if such a situation arises.³²

III. Discussion

A. Procedural Matters

20. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2023), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

21. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2023), prohibits an answer to a protest unless otherwise ordered by the

³⁰ On August 22, 2023, CAISO submitted proposed Tariff revisions containing the market rules for CAISO's EDAM in Docket No. ER23-2686-000. On December 20, 2023, the Commission accepted in part, subject to condition, and rejected in part the proposed Tariff revisions. DAME/EDAM Order, 185 FERC ¶ 61,210. Separately, on September 22, 2023, CAISO submitted proposed Tariff revisions to implement its Subscriber PTO framework in Docket No. ER23-2917-000.

³¹ SoCal Edison Protest at 5-6.

³² CAISO December 19, 2023 Answer at 4-6.

decisional authority. We accept the answer submitted by CAISO because it has provided information that assisted us in our decision-making process.

B. Substantive Matters

22. As discussed below, except for the proposal to calculate EDAM historical revenue recovery, we find CAISO's proposed Tariff revisions are just and reasonable and not unduly discriminatory or preferential. We accept CAISO's proposed Tariff revisions regarding: (i) settling transfer system resources, (ii) settling transfer revenue, (iii) settling EDAM RSE failure surcharges, and (iv) enabling the net EDAM export transfer constraint, effective as of the actual implementation date, as requested, subject to CAISO notifying the Commission of the actual effective date within five business days after CAISO's actual implementation date. However, as discussed below, we reject CAISO's proposed EDAM historical revenue recovery provisions.³³

23. We find that CAISO's proposed two-tiered approach for settling transfer system resources is a reasonable method to allocate the revenues and surcharges to the resources mostly likely causing or alleviating constraints on the grid. CAISO's proposed methodology for two-tiered transfer system resource settlement builds on its experience settling CAISO BA revenues in the WEIM and congestion-related funds in the CAISO market. In the first tier, CAISO proposes to identify the ETC/TOR holder responsible for revenue or surcharges and allocate transfer system resource revenue accordingly. For the residual revenues or surcharges without a contract reference number, CAISO proposes to allocate those revenues or surcharges proportionally within the CAISO BA. We find that CAISO has shown that applying the same two-tiered approach to its settlement of transfer revenue it currently applies to similar congestion-related funds is just and reasonable.³⁴

24. We likewise find that CAISO's proposal for settling EDAM RSE failure surcharges by allocating surcharge and revenue to all scheduling coordinators in the CAISO BA based on metered demand is just and reasonable. We find that CAISO has demonstrated that its proposed allocation is a reasonable approach to distribute surcharges and revenues where it is not feasible to directly trace cost causation to individual entities, and we note that the Commission has previously accepted a single allocation tier where it was not feasible to identify and trace the proximate cause of the

³³ CAISO, CAISO eTariff, §§ 26.2 (EDAM Recoverable Revenue) (2.0.0); *id.* § 26.2.1 (Individual Recoverable Revenue) (0.0.0); § 26.2.2 (Total EDAM Recoverable Revenue for the CAISO BAA) (0.0.0).

³⁴ *See id.* § 11.2.4 (CRR Settlements) (19.0.0), § 11.2.4.4.3 (providing for monthly clearing of the Monthly CRR Congestion Fund with any the remainder amounts distributed to Scheduling Coordinators based on Measured Demand).

cost.³⁵ We also note that CAISO has committed to continue working with stakeholders to determine a long-term solution for the distribution of RSE failure surcharges.³⁶

25. We find CAISO's proposal to voluntarily adopt the net export transfer constraint in its BA is just and reasonable. We find that CAISO has explained how use of the net export transfer constraint will preserve sufficient supply and manage reliability within the CAISO BA, particularly during stressed system conditions. Further, we agree with CAISO and DMM that maintaining some flexibility for operators to adjust the confidence factor and reliability margin within a 24-hour period will help ensure the CAISO BA can quickly respond to changing system conditions. In addition, we agree with CAISO that the ability to adjust the confidence factor and reliability margin will allow CAISO to lessen restrictions during non-stressed system conditions.

26. Regarding CAISO's proposal for calculating EDAM historical revenue recovery, we find that, as a threshold matter, CAISO's proposed Tariff section 26.2 is moot given the Commission's rejection of CAISO's proposed EDAM Access Charge Tariff section 33.26 enabling historical revenue recovery in the DAME/EDAM Order.³⁷ Because CAISO's proposed revisions relating to EDAM historical revenue recovery provisions in Tariff section 26.2 are dependent upon the acceptance of Tariff section 33.26 that the Commission rejected in the DAME/EDAM Order, we reject the instant proposal without prejudice.³⁸

27. Finally, because we are rejecting CAISO's proposed Tariff section 26.2, SoCal Edison's limited protest regarding inclusion of Subscriber PTOs in the allocation of EDAM historical revenue under proposed Tariff section 26.2 is moot.

³⁵ *Cal. Indep. Sys. Operator Corp.*, 162 FERC ¶ 61,022 (2018).

³⁶ Transmittal at 10.

³⁷ DAME/EDAM Order, 185 FERC ¶ 61,210 at PP 460, 519.

³⁸ *See NRG*, 862 F.3d 108, 114-15 (discussing the Commission's authority to propose modifications to a utility's FPA section 205 rate proposal).

The Commission orders:

(A) CAISO's proposed Tariff revisions are hereby accepted in part and rejected in part, effective as of the actual implementation date, as discussed in the body of this order.

(B) CAISO is hereby directed to notify the Commission of the actual effective date of the revisions within five business days after the actual implementation date, in an eTariff submittal using Type of Filing code 150 – Report.

By the Commission.

(S E A L)

Debbie-Anne A. Reese,
Acting Secretary.