

Off-Peak Deliverability Status would only enable a generator to self-schedule. If that generator economically bids—which it would be more incentivized to do under the CAISO’s proposal—it would be dispatched and curtailed based on its bid price and the CAISO’s security-constrained economic dispatch. If it self-schedules, it would have priority over effective economic bids in the event uneconomic curtailment is needed.

As the CAISO has explained in this proceeding, the CAISO’s proposal reduces current incentives to self-schedule instead of economically bid. Self-scheduling resources already have a curtailment priority over economic bids today; the CAISO’s proposal does not create this distinction. Because all generators currently can self-schedule, generators facing frequent local transmission constraints are incentivized to always self-schedule to avoid the curtailment that would result if they economically bid against a generator self-scheduling behind the same constraint. In other words, where two generators can self-schedule behind a constraint, both must self-schedule to avoid disparate curtailment. The CAISO’s proposal removes this problem by only allowing resources that financed the necessary deliverability upgrades to self-schedule. OPDS generators would not have to self-schedule against Economic Only generators because they know that the Economic Only generator cannot self-schedule in the first place.

EDFR claims this rationale “does not hold up to close scrutiny, as the CAISO provides no evidence that this kind of defensive self-scheduling is common.”³ EDFR claims that “data would show a higher number of curtailed self-schedules,” but that data instead demonstrates that market participants are increasingly offering economic bids.⁴ These claims are misleading. EDFR’s reliance on historic data for broad trends fails in

³ EDFR Comments at 6.

⁴ *Id.* at 6-7.

two critical ways. First, EDFR ignores that the CAISO has updated its on-peak deliverability assessment methodology to recognize a peak later in the day, and this shift will require smaller and fewer network upgrades for off-peak resources, which will cause much higher levels of curtailment due to local transmission constraints. The CAISO's proposal is not intended to address curtailment issues that infrequently occur; it addresses curtailment issues that all stakeholders recognize will increase in the future without the ability to address off-peak constraints.

Second, EDFR's reliance on broad, system data ignores that the CAISO is solving a very specific issue that could arise due to *local* transmission constraints. The trend toward economic bidding does not remove scheduling coordinators' needs to address local constraints. EDFR quotes the CAISO's statement that "generators rarely, if ever, need to self-schedule to avoid being curtailed *during system oversupply conditions*."⁵ EDFR's reliance on this quote misses the point, which is that self-scheduling is unnecessary during system oversupply conditions. The CAISO's proposal was not designed to address oversupply conditions; rather, it addresses the small but potentially growing number of generators that may face *local* transmission constraints during off-peak hours.

EDFR repeatedly argues that the CAISO's proposal "may be incentivizing" generators to increase their reliance on self-schedules⁶ and cites precedent explaining the drawbacks to increased self-scheduling.⁷ EDFR offers no rationale for this

⁵ EDFR Comments at 7 (quoting CAISO's January 30, 2020 Answer) (emphasis added).

⁶ See, e.g., *id.* at 7-8.

⁷⁷ *Id.* at 8 (citing *California Independent System Operator Corp.*, 116 FERC ¶ 61,274 (2006)).

assertion, and even argues later that “the self-scheduling advantage may provide little benefit.”⁸ Unlike the CAISO, which has explained how the introduction of Economic Only generators removes incentives for OPDS generators to self-schedule, EDFR asks the Commission to blindly assume that generators now will self-schedule more frequently for no logical reason. The Commission should disregard these claims as baseless speculation.⁹ The CAISO’s proposal removes incentives to self-schedule and protects OPDS generators from later Economic Only generators’ free-riding off the OPDS generators’ network upgrades or otherwise eroding their benefits. Contrary to EDFR’s assertions,¹⁰ the CAISO is not using self-scheduling as an incentive to have Off-Peak Deliverability Status. The CAISO developed Off-Peak Deliverability Status based on stakeholders’ requests because planning for a later peak would result in smaller, fewer network upgrades for generators that primarily produce energy off peak. But the CAISO is neither requiring Off-Peak Deliverability Status nor incentivizing generators to elect it.

B. EDFR’s claim that OPDS generators would have an unfair advantage is inaccurate and implausible.

EDFR argues that the CAISO’s proposal “would create the perverse effect of granting a scheduling benefit to OPDS resources without [Full Capacity Deliverability

⁸ *Id.* at 7.

⁹ EDFR also states, “the CAISO’s rules currently place a bidding floor at -\$150 MW/h, a self-schedule allows the CAISO to treat a bid as -\$155 MW/h.” EDFR Comments at 7. This is an inaccurate and misleading oversimplification. Self-schedules are non-priced, and optimized in the market based on the market parameter values explained in Section 6.6.5 of the CAISO’s Business Practice Manual for Market Operations, consistent with Sections 27.4.3, 31.4, and 34.12 of the CAISO tariff. As explained in Section I.D., below, creating different bid floors only creates problems without solving any.

¹⁰ EDFR Comments at 8.

Status (“FCDS”)] during on-peak hours over resources with FCDS but without OPDS.”¹¹ Although theoretically possible, this result is highly improbable. First, on-peak hours by definition are when demand is highest, and there is little to no curtailment on peak because of that demand. No scheduling or curtailment priority is needed on peak for this reason. Second, it is very unlikely an OPDS-Energy Only generator will exist. The CAISO’s transmittal letter explained how rare Energy Only generators are, and OPDS-Energy Only generators would be even more unlikely.¹² It makes little economic sense for interconnection customers to elect to finance off-peak network upgrades but forego peak network upgrades and thus be ineligible to provide resource adequacy. The Commission should not be distracted by this highly speculative, hypothetical externality.

C. Contrary to EDFR’s claims, the triggers for interconnection customers to receive FCDS and OPDS are different for legitimate reasons.

EDFR argues that that Off-Peak Deliverability Status “should not be awarded to new projects until all upgrades needed for that status are complete.”¹³ EDFR states that awarding Off-Peak Deliverability Status earlier is inconsistent with how the CAISO awards Full Capacity Deliverability Status, and could adversely affect existing generators. Both claims lack merit.

First, EDFR fails to explain why the CAISO should award Full Capacity Deliverability Status and Off-Peak Deliverability Status based on the same triggers particularly given that they pertain to different situations. The CAISO considered this issue during its stakeholder process and rejected EDFR’s premise. Full Capacity

¹¹ EDFR Comments at 9.

¹² CAISO Transmittal Letter at 13.

¹³ EDFR Comments at 10.

Deliverability Status indicates the generator's energy can be delivered to load during peak conditions, which allows load serving entities to rely on that generator's energy for resource adequacy and reliability. Allowing generators to have Full Capacity Deliverability Status before the transmission owner completes the on-peak delivery network upgrades could cause load-serving entities to misunderstand available peak energy, and then be unable to meet their peak demand.

The same risk does not exist *off* peak, when there is far more available generation than demand, and no similar reliability concern. There is no reason interconnection customers should not have Off-Peak Deliverability Status once they have satisfied their obligation to finance all Off-Peak Network Upgrades, which occurs at the commencement of construction.¹⁴

Second, EDFR claims that awarding Off-Peak Deliverability Status once the generator is online and has financed its Off-Peak Network Upgrades, but perhaps before the upgrades are complete, is "potentially harmful because the Off-Peak Network Upgrades are needed to relieve local congestion and thus avoid having new projects impose adverse consequences on existing projects."¹⁵ EDFR does not explain this claim, which is puzzling in any case. When the CAISO awards Off-Peak Deliverability Status, it does not affect whether or when the Off-Peak Network Upgrades will be complete. The interconnection customer still must finance the Off-Peak Network Upgrades at the commencement of construction, and the Off-Peak Network Upgrades

¹⁴ See Section 11.3.2 of Appendix DD to the CAISO tariff. "Construction" is an industry term that includes procurement, permitting, and engineering.

¹⁵ EDFR Comments at 10.

will be complete based upon the CAISO and transmission owner's construction schedules.

D. EDFR's proposed alternative only demonstrates the CAISO's proposal is preferable.

EDFR argues that the Commission should reject the CAISO's proposal and consider an alternative.¹⁶ EDFR proposes that lowering the bid floor for OPDS generators, for example, would incentivize economic bidding and not self-scheduling.¹⁷ This proposal only demonstrates that the CAISO's proposal is just and reasonable. As explained above, the CAISO's proposal *removes* the incentive to self-schedule when faced with local transmission constraints, and incentivizes economic bidding based on actual marginal costs. EDFR's alternative proposal was vetted during the CAISO's stakeholder process and rejected because it would only offer a mirage of economic bidding. To take advantage of a lower bid floor, OPDS generators would actually *have to bid* at that lower floor. Non-OPDS resources, on the other hand, knowing that OPDS generators would have to bid at the floor, could bid their marginal costs or more. Worse, non-OPDS generators could just self-schedule and ensure OPDS resources' economic bids would be curtailed first. EDFR's proposal thus distorts market prices and curtails the wrong group of generators. For these reasons, the CAISO rejected proposals to adjust bid floors or change other market parameter values.

In any case, Commission precedent is clear that under Section 205 of the Federal Power Act, "the Commission limits its evaluation of a utility's proposed tariff revisions to an inquiry into 'whether the rates proposed by a utility are reasonable—and

¹⁶ EDFR Comments at 10.

¹⁷ *Id.*

not to extend to determining whether a proposed rate schedule is more or less reasonable to alternative rate designs.”¹⁸ As such, “there is no need to consider in any detail the alternative plans proposed by” EDFR.¹⁹

II. Conclusion

For the reasons explained above and in this proceeding, the CAISO respectfully requests that the Commission accept the proposed tariff revisions as filed.

Respectfully submitted,

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¹⁸ *California Independent System Operator Corp.*, 141 FERC ¶ 61,135 at P 44 n. 43 (quoting *City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984)).

¹⁹ *Id.*

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, 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, CA this 17th day of April, 2020.

/s/ Martha Sedgley

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