

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PacifiCorp

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Docket ER14-1578-000

**MOTION TO INTERVENE AND COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“ISO”) respectfully files this motion to intervene and comments in the above-referenced proceeding.¹ This proceeding concerns the March 25, 2014 submission by PacifiCorp of amendments to its Open Access Transmission Tariff (“OATT”) to implement its participation in the energy imbalance market consistent with the design proposed by the ISO.² The amendment proposed by PacifiCorp represents the successful culmination of an extensive effort to develop the necessary mechanisms and tariff provisions, characterized by broad stakeholder participation and extensive coordination with the ISO, and is consistent with the tariff amendment proposed by the ISO to implement the energy imbalance market.³ Accordingly, the ISO supports PacifiCorp’s proposed OATT

¹ The ISO makes this filing pursuant to Rules 212 and 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212 and 385.214. The ISO requests that the Commission grant its motion to intervene because the ISO will be the market operator referenced in the filing presented by PacifiCorp. As such, the ISO has a direct and substantial interest in this proceeding, and requests that it be permitted to intervene. Because no other party can adequately represent the ISO’s interests in this proceeding, the ISO’s intervention is in the public interest and should be granted.

² See Docket No. ER14-1386-000 (considering the ISO’s proposal to extend its real-time market to balancing authorities outside of the ISO balancing authority area).

³ *Id.* at proposed ISO tariff section 29.4(b)(3)(B) (requiring that each transmission service provider have in effect provisions in its tariff to enable operation of the ISO’s real time market in its balancing authority area).

amendment and requests that the Commission accept it as filed without hearing, by order issued no later than June 20, 2014, for the reasons stated by PacifiCorp and supported by the ISO as discussed below.⁴

I. Background

In March 2013, the ISO Board of Governors approved moving forward with the development of an expanded energy imbalance market and the execution of an implementation agreement with PacifiCorp to fund its share of the costs of expanding the ISO's real-time energy market to PacifiCorp's balancing authority areas.⁵ On June 28, 2013, the Commission accepted an implementation agreement between the ISO and PacifiCorp.⁶ The ISO proceeded with the development of the energy imbalance market rules and tariff provisions, in consultation with its stakeholders, and PacifiCorp has similarly moved forward with the development of the mechanisms through which it would participate in the energy imbalance market and the necessary tariff provisions, in consultation with affected stakeholders.

The ISO commends the proactive and collaborative manner in which PacifiCorp has participated in the ISO's stakeholder process to develop the energy imbalance market and has developed in parallel the necessary revisions to its own tariff and processes. The coordination of those efforts has been tremendous and is reflected in PacifiCorp's proposed amendment. ISO executives, management and staff have made

⁴ The ISO requests one clarification that it believes can be resolved in this proceeding without the need for hearing or any other further proceeding.

⁵ See Memorandum, ISO Board of Governors, Decision on PacifiCorp Energy Imbalance Market Implementation Agreement (Mar. 19, 2013) ("March 2013 Board Memorandum"), which is available at <http://www.caiso.com/informed/Pages/BoardCommittees/Default.aspx>.

⁶ *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,298 (2013); see also Letter Order dated April 8, 2014 in Docket No. ER14-1350-000 (accepting an amendment to the PacifiCorp implementation agreement to increase the implementation fee).

a significant commitment to the energy imbalance market implementation project and stakeholder efforts. Successful implementation of the energy imbalance market will represent a major milestone for organized markets in the West.

II. PacifiCorp's Stakeholder Process

PacifiCorp's interactions with its stakeholders intentionally followed the ISO efforts by about a month. This allowed PacifiCorp to take into account the energy imbalance market design and rules developed by the ISO as it prepared its proposed tariff amendment. The ISO followed PacifiCorp's stakeholder process closely and engaged with PacifiCorp at each step of the way, participating in its public meetings, reviewing PacifiCorp's proposals, and offering feedback. PacifiCorp has considered requests of its stakeholders and of the ISO to ensure its amendment reflects a consensus view.

Understandably some stakeholders continue to have different views or preferences for energy imbalance market design and tariff provisions,⁷ and there are areas that will require ongoing coordination, but the ISO has no outstanding concern that should be reason to reject PacifiCorp's proposed amendment. The amendment proposed by PacifiCorp represents the culmination of a tremendous stakeholder effort and extensive coordination and collaboration among all engaged. Implementation of the energy imbalance market on October 1, 2014, should not be delayed by those who may merely patronize the benefits or otherwise prefer the status quo.

⁷ See, e.g., PacifiCorp Transmittal Letter at p. 58 (noting that the ISO settlement and dispute timeframes will require prompt transmission customer review of statements to allow PacifiCorp an opportunity to raise a dispute on their behalf).

III. Comments in Support of PacifiCorp's OATT Amendment

The ISO supports PacifiCorp's proposed OATT amendment to implement its participation in the energy imbalance market. PacifiCorp has determined that the energy imbalance market will bring benefits to its customers and made a decision to move forward accordingly. The proposed OATT amendment is a necessary step to implement this decision, a step supported by the ISO. The ISO comments focus on the consistency of the proposed OATT amendment with the energy imbalance market rules proposed by the ISO. Following this, the ISO raises one matter with respect to PacifiCorp's proposed OATT amendment that should be clarified in this proceeding.

a. PacifiCorp provides for the relationships necessary to implement the energy imbalance market.

The energy imbalance market requires an enabling relationship between the ISO as the market operator and PacifiCorp as the participating balancing authority, or "EIM Entity". In this role, PacifiCorp is obligated to set forth OATT provisions in effect to enable operation of the ISO's real-time market in its balancing authority areas in accordance with the ISO tariff.⁸ The filing by PacifiCorp in this docket represents its proposal to fulfill that commitment.

The energy imbalance market design also recognizes the continued obligations of PacifiCorp as a balancing authority, as well as its roles as a transmission service provider and the associated relationships with its transmission customers, who may or may not choose to participate in the energy imbalance market. These relationships are in some cases accounted for by PacifiCorp under its OATT, as revised by this filing, and

⁸ See Docket No. ER14-1386-000 (proposing a *pro forma* EIM Entity Agreement that includes a requirement in section 2.2 to have in effect tariff provisions that enable operation of the real-time market in accordance with the ISO tariff).

in others by reference to the ISO tariff.⁹ For example, PacifiCorp will continue to provide imbalance energy services to loads and non-participating resources, but resources participating in the energy imbalance market will be settled directly with the ISO.¹⁰ The ISO supports PacifiCorp's approach to reflect these relationships and responsibilities in its proposed OATT amendment.¹¹ This structure is in accordance with the proposed ISO tariff changes to implement the energy imbalance market.

PacifiCorp's OATT amendment appropriately provides for the elections that an EIM Entity must make in accordance with the ISO tariff.¹² The ISO tariff allows each EIM Entity the opportunity to make elections to configure its administration of the energy imbalance market consistent with its customers' needs and the manner in which it operates its transmission system, including metering, load aggregation points, and load forecasting. The ISO tariff imposes a number of obligations on the EIM Entity to gather the information necessary to support the resource plans and base schedule requirements associated with the energy imbalance market. PacifiCorp's proposed OATT amendment represents these elections and provides an appropriate mechanism for the EIM Entity to aggregate this critical information in a timely and orderly manner.¹³

⁹ See PacifiCorp OATT, Attachment T (constituting most of the provisions necessary to implement the energy imbalance market).

¹⁰ See PacifiCorp OATT, Schedules 4 and 9 (proposing changes to the energy imbalance services provided to its transmission customers).

¹¹ See also, PacifiCorp OATT, Attachment T, section 9 (communicating the market monitoring expectations to its customers).

¹² See, e.g., *id.* at sections 4.1 and 6.3 (including provisions to implement elections and fulfill EIM Entity obligations under the ISO tariff).

¹³ *Id.* at section 4.2.

The ISO tariff also allows EIM Entities to determine the eligibility requirements for resources to participate in the energy imbalance market. While the ISO tariff recognizes some flexibility in the types of resources that can participate, this flexibility is most evident from the perspective of an EIM Entity in terms of what transmission service arrangements are required for customers to participate and the extent to which an EIM Entity may allow economic bidding on its interties. Here the ISO recognizes PacifiCorp's willingness to expand the opportunity to participate by including an hourly non-firm transmission service option at the request of its stakeholders.¹⁴ This was a significant undertaking and ensures that any resource within PacifiCorp's balancing authority area will have the opportunity to participate if it maintains a service agreement for non-firm point-to-point transmission service as a condition of participation. At the same time, the ISO understands PacifiCorp's decision to refrain from opening its interties to economic bidding at the outset of the energy imbalance market and appreciates its willingness to look at this option in the future after they have more experience.

PacifiCorp's proposed OATT amendment, in addition to addressing its role as transmission service provider, makes clear that it maintains certain operational responsibility as the balancing authority and transmission operator.¹⁵ As explained, the energy imbalance market does not modify, change, or otherwise alter the manner in which the ISO and PacifiCorp manage their respective balancing authority areas or operate their transmission systems in accordance with the applicable reliability

¹⁴ *Id.* at sections 3.1 and 8.7.2.

¹⁵ *Id.* at section 6.

standards, tariffs, or contracts. Rather, the energy imbalance market accounts for such actions as manual dispatches of resources and scheduling curtailments associated with unscheduled flow and other mitigation procedures, but does not get between any participant and their obligation to comply with these requirements. It merely represents a more efficient means to deliver imbalance energy services within and between each participating balancing authority area, and PacifiCorp has properly reflected this in its proposed OATT amendment.

b. PacifiCorp appropriately requests authority to take corrective actions under certain limited conditions.

It is crucial for PacifiCorp to be confident the energy imbalance market includes sufficient safeguards to mitigate potential risks. Participating in an organized market in this manner is new to PacifiCorp and its customers. It is sensible for PacifiCorp to ask for reasonable, temporary corrective measures in the event there are unintended or unforeseen consequences, as ISO stakeholders similarly requested from the ISO. These measures include the opportunity to prevent transfers or suspend the EIM Entity's participation in the energy imbalance market during a defined period following implementation, in the event PacifiCorp formally terminates its participation in the energy imbalance market, or in the event adverse operational circumstances, including communication failures, or design flaws arise. The ISO supports the proposed PacifiCorp OATT amendment requests for limited authority that parallel the proposed ISO tariff changes. These measures, which will only be exercised after every effort is made to try and make the market function as expected, will protect both ISO and PacifiCorp customers from unintended consequences.

The ISO will continue to coordinate with PacifiCorp throughout the implementation process, and in particular during the market simulation planned to commence on July 8, 2014. It is critical that both organizations have in place the necessary communications and procedures to ensure that any identified issues will be mutually understood and considered. If any actions are required, PacifiCorp and the ISO will have in place the tools and procedures necessary to mitigate the impact and restore normal operations as quickly as possible, whether by reversion to PacifiCorp's proxy pricing that exists currently or back to the energy imbalance market rules that will be implemented October 1, 2014. These activities have been considered since very early in the implementation process, and the mechanisms proposed in PacifiCorp's OATT amendment are consistent with the ISO's perspective on what is reasonable under the circumstances as described above.

c. PacifiCorp accounts for the transmission that will be made available in real time.

Transmission service is essential for operation of the energy imbalance market and PacifiCorp, as a transmission service provider, has accounted for this under its proposed OATT amendment. As noted above, participating resources must meet PacifiCorp's transmission eligibility requirements set forth in Attachment T of its OATT. In addition, PacifiCorp has committed to provide the ISO with all the information associated with its transmission system, both in advance and in real-time in the form of its network model and outage information.¹⁶ This information allows the ISO to accurately model the PacifiCorp transmission system and, in combination with the base

¹⁶ *Id.* at sections 5 and 7 (providing for the submission of transmission operations and outage information to the ISO).

schedules, perform its market operator function, including congestion management based on the most economic resources available.

PacifiCorp sets the rates, terms and conditions of transmission service for its customers under its OATT, as does the ISO under its tariff. The energy imbalance market will involve real-time transfers between the ISO and PacifiCorp balancing authority areas. At least initially, PacifiCorp and the ISO, in consultation with stakeholders, concluded that there should be no incremental transmission service charge for such transfers.¹⁷ Both the ISO and PacifiCorp support this approach as just, reasonable and not unduly discriminatory or preferential. As explained in the ISO's filing and answer in Docket No. ER14-1386-000, the reciprocal waiver of incremental transmission charge for real-time transfers appropriately recognizes the unique nature of the service involved, as well as the mutual commitments that participating balancing authority areas make as part of their participation in the energy imbalance market, and is consistent with Commission precedent favoring the elimination of pancaked transmission rates where possible.¹⁸

The ISO, moreover, has committed to undertake a review of this matter with stakeholders based on actual experience early in 2015. In this regard, it is important to bear in mind that the transfer capability between the ISO and PacifiCorp's balancing authority areas is expected to be relatively small at the outset of the energy imbalance

¹⁷ *Id.* at section 8.7.1 (exempting transmission customers from an additional transmission charge for real-time energy transfers).

¹⁸ See *Regional Transmission Organizations*, Order No. 2000, FERC Stats. & Regs. ¶ 31,089 (1999), *order on reh'g*, Order No. 2000-A, FERC Stats. & Regs. ¶ 31,092 (2000), *aff'd sub nom. Pub. Util. Dist. No. 1 Snohomish Cnty., Wash, et al., v. FERC*, 272 F.3d 607 (D.C. Cir. 2002); see also *Midwest Indep. Transmission Sys. Operator, Inc.*, 104 FERC ¶ 61,105, at P 35 (2003), *order on reh'g*, 105 FERC ¶ 61,212 (2003).

market. Having actual information available is an excellent way to consider the need for and design of a transmission service charge for real-time transfers in the energy imbalance market, and this initial period provides an opportunity to obtain that information.¹⁹

1. Hourly non-firm transmission charges should not be excluded from consideration in a default energy bid.

PacifiCorp has proposed to allow participation through hourly non-firm service for participating resources as noted above, which the ISO supports.²⁰ This should increase the available pool of resources in the energy imbalance market since those that may not otherwise have network or firm point-to-point transmission service could nonetheless bid into the market. In addition, this would account for dispatches in excess of the available transmission for resources that have existing service. There is little dispute that this is a positive step forward in the energy imbalance market design and implementation. However, for further consideration is whether the resulting variable costs should be eligible for recovery as part of the ISO's default energy bid if there is congestion and mitigation applied to bids that were assessed hourly non-firm transmission service to participate in the energy imbalance market.²¹

The charge to be recovered as part of the default energy bid should be based upon the actual MW hour for incremental transmission versus each MW of incremental

¹⁹ The ISO recently filed an implementation agreement with respect to NV Energy's participation in the energy imbalance market. See Docket No. ER14-1729-000. NV Energy also filed concurrently with the Public Utilities Commission of Nevada for approval to participate in the energy imbalance market, which is available on the PUCN website at: http://pucweb1.state.nv.us/PDF/AxImages/DOCKETS_2010_THRU_PRESENT/2014-4/36841.pdf.

²⁰ See PacifiCorp OATT, Attachment T, section 8.7.2.

²¹ See Six Cities reply comments filed in ER14-1386-000, p. 4-5.

transmission. This distinction determines whether the cost is variable and eligible for recovery as part of a default energy bid. The ISO appreciates that PacifiCorp may not be able to charge for this transmission on an incremental MW hour basis at this time, but this is not a reason to disapprove of these costs being considered for recovery as part of a default energy bid. The ISO would under any circumstance only entertain recovery of the non-firm rate for the portion of the bid curve above the participating resources' firm transmission rights. This recognizes that the firm rights, if any, are in all cases fixed costs.

The non-firm hourly rate is a just and reasonable response from PacifiCorp to stakeholder concerns and there is no reason a portion should not be eligible for recovery as part of a default energy bid if it truly represents a variable cost of supply. The ISO will continue to consider the options and alternatives for treatment of these costs through its normal course of negotiating default energy bids.

d. PacifiCorp facilitates settlement of the energy imbalance market not otherwise directly accounted for by the ISO.

The energy imbalance market allows each EIM Entity to settle a variety of charge types allocated to it by the ISO according to the EIM Entity's tariff. This flexibility represents an important aspect of the energy imbalance market design, and with this flexibility comes the responsibility to modify settlement provisions with the EIM Entity's transmission customers. PacifiCorp accounts for this settlement and the associated cost allocation in its proposed OATT amendment.²² The ISO supports PacifiCorp's

²² See PacifiCorp OATT, Attachment T, section 8 (accounting for energy imbalance market settlements).

approach to defining each aspect of the energy imbalance market settlement not directly accounted for by the ISO.

IV. ISO Request for Clarification

Implementation of the energy imbalance market is a significant and complex undertaking. The ISO and PacifiCorp have worked closely to coordinate the proposed ISO tariff changes and the proposed PacifiCorp OATT amendment through parallel open and transparent stakeholder processes. It appears that PacifiCorp has addressed each element required by the energy imbalance market design as highlighted above. However, the characterization of the price paid for energy imbalance services under PacifiCorp's OATT would benefit from further clarification as discussed below.

Resources that participate in the energy imbalance market will be settled directly with the ISO for the services they provide, not under schedule 9 of PacifiCorp's OATT.²³ Loads and non-participating resources (including imports and exports) will continue to be settled under schedules 4 and 9 of PacifiCorp's proposed OATT amendment, respectively.²⁴ This settlement directly with PacifiCorp will include a determination of the quantity and price to be paid for imbalance energy. PacifiCorp's description of this settlement in its transmittal letter is not entirely clear to the ISO,²⁵ but the corresponding provisions in Schedules 4 and 9 and Attachment T appear to be correct. However, the

²³ Resources participating in the energy imbalance market would be subject to PacifiCorp's proposed tariff Attachment T.

²⁴ Non-participating loads and resources would also be subject to PacifiCorp's proposed tariff Attachment T.

²⁵ See, e.g., PacifiCorp Transmittal Letter at p. 47-48 (referencing whether transmission customers would be paid uninstructed or instructed imbalance energy based on their schedule).

ISO believes these schedules could more clearly reflect the settlement by PacifiCorp with loads and non-participating resources.

Under Schedule 4 load deviations from base schedules will be settled by PacifiCorp at the weighted average load aggregation point price. All load deviations are classified as uninstructed imbalance energy. In addition, as part of PacifiCorp's requirement that their customers submit balanced load and generation in their base schedules, any difference will be settled at the weighted average load aggregation point price.

Under Schedule 9, generation imbalance energy, including imports and exports, will be settled at the locational marginal price. The energy imbalance market includes both the fifteen minute market and the five minute market. In the fifteen minute market, a non-participating resource can receive a fifteen minute schedule adjustment due to changes in its physical output, such as a forced outage, if the change is known prior to the start of the fifteen minute market optimization (i.e., 37.5 minutes before real time).

The deviation from the base schedule and the fifteen minute schedule will settle at the fifteen minute price and be considered instructed imbalance energy. Any difference between the updated fifteen minute schedule and the meter will settle at the five minute price and will be classified as uninstructed imbalance energy. If the non-participating resource did not receive an updated fifteen minute schedule, the difference between its base schedule and the meter will settle at the five minute price and be classified as uninstructed imbalance energy.

For fifteen minute market awards or base schedules that are not e-tagged, these changes will be settled as operational adjustments. Operational adjustments are

classified as instructed imbalance energy, but the applicable locational marginal price depends on when the e-tag change is submitted. If the intertie schedule change is known prior to the start of the fifteen minute market (i.e., 37.5 minutes before real time), the import/export will receive an updated fifteen minute schedule change. The deviation from the base schedule and the fifteen minute schedule will settle at the fifteen minute price. If the intertie schedule change is known after to the start of the fifteen minute market, the import/export deviation from the base schedule and the deemed delivered energy (e-tag energy profile) will settle at the five minute price.

In addition, a non-participating resource can receive manual dispatches from PacifiCorp as necessary to meet its balancing authority responsibilities. Manual dispatches will be classified as instructed imbalance energy once communicated to the ISO. However, the relevant locational marginal price depends on whether the manual dispatch can be reflected in the fifteen minute schedule, in which case the same treatment as operational adjustments above would apply. Instructed imbalance energy payments will be made for a manual dispatch by PacifiCorp or for physical changes in the resources output that are communicated to the ISO.²⁶

The ISO wants to be clear under what circumstances a non-participating resource in the energy imbalance market would be paid the instructed imbalance energy under PacifiCorp's proposed OATT amendment. For example, any non-participating resource's schedule change that is properly reflected in the fifteen minute market schedule by the EIM Entity will be settled by the ISO as instructed imbalance

²⁶ PacifiCorp appears to have properly accounted for instructed imbalance energy settlement for manual dispatch and physical changes. See PacifiCorp OATT, Schedule 9, and Attachment T (accounting for instructed imbalance energy settlements).

energy. This should also be the case if an export e-tag energy profile is reflected in the fifteen minute market.

The ISO requests that PacifiCorp confirm that non-participating resources will be paid the instructed imbalance energy price pursuant to Schedule 9 as understood by the ISO. The potential for confusion arises primarily from transmittal letter discussion and therefore clarification may not require changes to the OATT amendment as proposed by PacifiCorp. However, the Commission should consider directing PacifiCorp to modify Schedule 9 as discussed above.

V. Description of the ISO and Communications

The ISO is a non-profit public benefit corporation organized under the laws of the State of California with its principal place of business at 250 Outcropping Way, Folsom, CA 95630. The ISO is the balancing authority responsible for the reliable operation of the electric grid comprising the transmission systems of a number of utilities, administers the generator interconnection procedures applicable to those facilities, and has proposed to be the market operator of the energy imbalance market. The ISO requests that all communications and notices concerning this motion and these proceedings be provided to:

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VI. Conclusion

The ISO requests that the Commission grant the ISO's motion to intervene and accept these comments.

Respectfully submitted,

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Dated: April 25, 2014

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 captioned 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, California this 25th day of April 2014.

Jennifer Rotz
Jennifer Rotz