

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System)
Operator Corporation)** **Docket No. ER20-536-000**

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION**

The California Independent System Operator Corporation (CAISO) submits its answer to the comments filed by Nevada Power Company and Sierra Pacific Power Company (collectively, NV Energy) and PacifiCorp¹ in the above-referenced proceeding.² This proceeding concerns the Energy Imbalance Market Implementation Agreement (Implementation Agreement) between the CAISO and the Bonneville Power Administration (Bonneville). Although the Commenters strongly support Bonneville’s plan to participate in the Energy Imbalance Market (EIM),³ they also ask the Commission to modify the conditions for EIM participation and apply the change to Bonneville’s participation. All other parties either fully support the Implementation Agreement or filed non-substantive motions to intervene.⁴

¹ The CAISO refers to NV Energy and PacifiCorp collectively as the Commenters in this answer.

² The CAISO submits this answer pursuant to Rule 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213.

³ NV Energy states that it “strongly supports the expansion of participation in the EIM. BPA [*i.e.*, Bonneville], with its extensive transmission network and resources, would be a most welcome addition.” NV Energy at 1. Similarly, PacifiCorp states that it “strongly supports the expansion of participation in the EIM, and in particular welcomes the addition of BPA.” PacifiCorp at 1.

⁴ Bonneville filed supporting comments requesting that the Commission accept the Implementation Agreement as submitted by the CAISO, and the following entities filed motions to

Contrary to the Commenters' assertions, the provision of transmission capacity in support of EIM transfers is entirely voluntary. The CAISO tariff does not require nor has the CAISO created any expectation that participation in the EIM is conditional on making any transmission available to support EIM transfers. The CAISO tariff merely stipulates the terms and conditions that govern the management of transmission offered in support of EIM transfers should the EIM entity choose to provide any. The CAISO tariff provides EIM entities with two ways in which they can make transmission available for EIM transfers if they so choose: use of available transfer capability (ATC) or use of interchange transmission rights (ITR).⁵ EIM entities can choose one, both, or neither. Moreover, there is no CAISO tariff provision that specifies that if a transmission provider EIM entity chooses the ITR option it must also select the ATC option. Furthermore, the fact that other transmission provider EIM entities currently have not elected to utilize only the ITR option does not diminish the flexibility to choose either option in the CAISO tariff.⁶

intervene: the Balancing Authority of Northern California; City of Redding, California; City of Santa Clara, California; Modesto Irrigation District; Northwest Requirements Utilities; Pacific Gas and Electric Company; Powerex Corp.; Public Power Council; Public Utility District No. 1 of Snohomish County, Washington; and Southern California Edison Company.

⁵ CAISO tariff section 29.17(f). The option to use interchange transmission rights set forth in section 29.17(f)(2) of the CAISO tariff is also sometimes referred to as using the "interchange rights holder" approach.

⁶ The CAISO recognizes that not all EIM entities may be in a position to exercise a choice between the ITR and ATC methodologies because some may only have access to ITR-type rights and others may only have residual ATC that they can use in support of EIM transfers. The CAISO also understands that in some cases the election to make any transmission capacity available in support of EIM transfers may be driven by entity-specific concerns such as the desire to minimize congestion in the entity's own balancing authority area in support of its market-based rate authority to make sales of energy within that balancing authority area. Finally, the CAISO acknowledges that the only EIM entity making only ITR available for EIM transfers is not a transmission provider. However, none of this changes the fact that the CAISO tariff provides

The Commenters' request that the Commission effectively condition Bonneville's participation on making its transmission available under the ATC model is both beyond the scope of this proceeding and contrary to the CAISO tariff, Commission precedent, and the overall interest of the EIM community. Nothing in the Implementation Agreement requests or requires that the Commission take any action inconsistent with or contrary to established precedent. The Implementation Agreement simply provides for the recovery of CAISO costs to develop the framework and system configuration changes to add Bonneville into the EIM and to guide the parties during such implementation activities. Simply put, Bonneville's intention to make only ITR available as reflected in the Implementation Agreement is entirely consistent with the existing CAISO tariff rules. Any deviation from the CAISO tariff would require further action by the Commission that the CAISO has not requested in this proceeding and that the Commenters do not justify. Moreover, granting the Commenters' request would limit existing flexibility for EIM entities to determine how to make transmission capacity available for EIM transfers, thereby potentially depriving customers of the benefits of an expanded EIM footprint. The Commission should reject the Commenters' impermissible and unsupported complaint.

The CAISO fully agrees, however, with the principle espoused by the Commenters that the benefits of the EIM are significantly enhanced with increased contribution of transmission in support of EIM transfers. The CAISO is

participants with different options. In the past, a transmission provider EIM entity did make capacity available for EIM transfers only through the ITR methodology.

fully committed to pursuing additional means for the provision of transmission in support of EIM transfers consistent with the voluntary nature of the EIM. The CAISO recognizes the importance of an open and in-depth discussion with stakeholders regarding the alternative ways in which EIM participants can contribute transmission to support EIM transfers. The CAISO also recognizes that compensation would likely incentivize the voluntary contribution of additional transmission capacity in support of EIM transfers under the ITR or the ATC model, a combination of the models, or alternative models. The CAISO affirms its commitment to not only address how transmission is made available and compensated for extended day-ahead market (EDAM) transfers, but also to consider in the EDAM stakeholder process the corresponding clarifications or revisions to transmission compensation mechanisms as they apply specifically to the EIM. Moreover, the CAISO recognizes that, depending on the development and implementation of the EDAM, it may be necessary to expedite implementation of transmission compensation in support of wheel-throughs arising out of EIM transfers ahead of full implementation of the EDAM.

The CAISO's commitment to this important stakeholder initiative does not undermine the justness and reasonableness of the Implementation Agreement. In addition to being entirely consistent with existing CAISO tariff rules, Bonneville's contribution of transmission capacity under the ITR option is entirely consistent with the CAISO's and the Commenters' goal of increasing the availability of transmission capacity in support of EIM transfers. The Commission should accept the Bonneville Implementation Agreement as filed and without

further conditions, and should allow the CAISO and its stakeholders to consider the questions the Commenters raise in the EDAM stakeholder process that is already underway.

I. Background

The CAISO submitted the Implementation Agreement in this proceeding on December 6, 2019. The Implementation Agreement sets forth the terms under which the CAISO will configure its existing real-time energy market systems to provide imbalance energy service to Bonneville, pursuant to the CAISO's EIM tariff. Under the Implementation Agreement, Bonneville will compensate the CAISO for its share of the costs of system changes, software costs, and other configuration activities. The CAISO requests that the Commission accept the Implementation Agreement effective March 2, 2020, so that the extension of the real-time energy market to include Bonneville may proceed towards implementation no later than March 2, 2022.

No party opposes the Implementation Agreement or the goal of facilitating Bonneville's participation in the EIM. The Commenters do request that the Commission should either clarify or modify one "participation principle" in the agreement to establish new requirements for transmission providers that seek to become EIM entities. Specifically, they argue that Bonneville should be required to make transmission capacity available for EIM transfers using the ATC option in addition to the ITR option Bonneville has elected to pursue. The participation principle that the Commenters object to states that Bonneville will voluntarily make transmission available for EIM transfers "consistent with the ISO tariff and

the Bonneville Tariff.”⁷ As discussed further below, these comments neither satisfy procedural requirements for imposing the new requirements they seek nor provide a substantive justification for limiting the options available for participation in the EIM.

II. Answer

A. The CAISO Tariff Provides EIM Entities with Options to Make Transmission Available for EIM Transfers

NV Energy and PacifiCorp each argue that “[o]nce a transmission provider elects to join the EIM, there should be a common understanding that firm and non-firm ATC will be made available to further efficient trading in the market.”⁸ However, the Commenters can point to no provision of the CAISO tariff or any directive in a Commission order that obligates an EIM entity transmission provider, such as Bonneville, to make ATC available in support of EIM transfers. In fact, the CAISO tariff contains no such requirement and Commission precedent on this point supports this optionality.

Section 14(b) of the Implementation Agreement sets forth the principle that Bonneville’s participation in the EIM will be voluntary and consistent with Bonneville’s open access transmission tariff (OATT) and with the CAISO tariff.⁹ The CAISO tariff provides EIM entities with multiple options for making

⁷ Implementation Agreement, section 14(b).

⁸ NV Energy at 9; PacifiCorp at 5.

⁹ NV Energy and PacifiCorp state that the CAISO makes no reference to section 14(b) in its transmittal letter for the filing of the Implementation Agreement. NV Energy at 11; PacifiCorp at 6. Although the transmittal letter does not specifically discuss section 14(b), it does reference section 14 generally in connection with the statement on page 3 of the transmittal letter that the Implementation Agreement includes several principles recognized by the parties regarding the implementation of Bonneville’s potential participation in the EIM.

transmission available for EIM transfers, and section 14(b) is consistent with the CAISO tariff. Bonneville's reliance on the voluntary nature of the EIM¹⁰ and its intention to implement only the ITR option at the commencement of Bonneville's participation is consistent with the CAISO tariff and Commission precedent.

Under the existing CAISO tariff, the CAISO models individual constraints for each EIM transfer limit submitted by each EIM entity that makes transmission available on an EIM internal intertie.¹¹ The existing tariff provides two options for an EIM entity to make such transmission available for EIM transfers: (1) the interchange transmission rights (or ITR) mechanism, which is what Bonneville has chosen, and (2) the available transfer capability (or ATC) mechanism.¹² ITR represent unused contractual rights held by an eligible entity, often the merchant function of the EIM entity that has accounted for the cost of such capacity that desires to make them available for use as EIM transfers. ATC represents the available capacity of a given transmission path as determined pursuant to the EIM entity OATT, which generally would be the transmission capacity available after subtraction from that path's total transfer capability of capacity associated with existing contracts and transmission ownership rights and any transmission reliability margin. An EIM entity can choose either the ITR option, the ATC

¹⁰ See Bonneville at 3 ("Bonneville's participation in the EIM must also be voluntary").

¹¹ CAISO tariff section 29.17(f)(1).

¹² CAISO tariff sections 29.17(f)(2) and 29.17(f)(3), respectively. An EIM entity can also choose to make transmission available pursuant to both the ITR mechanism and the ATC mechanism. See, e.g., *Puget Sound Energy, Inc.*, 155 FERC ¶ 61,111, at P 134 (2016). Bonneville will be able to make the same choice at some future point if it wishes (or to switch to the ATC mechanism, if it so wishes).

option, both, or none if the EIM entity decides not to make any transmission available in support of EIM transfers.¹³ The CAISO tariff does not dictate how the EIM entity must select among these options. Moreover, the CAISO tariff does not specify that, if the EIM entity chooses transmission available to support EIM transfers through the ITR model, it must also make transmission available under the ATC model to support EIM transfers.

Commission precedence supports the conclusion that the current CAISO tariff does not require Bonneville or any other entity to provide ATC in support of EIM transfers if it chooses to support EIM transfers through the ITR option. The Commission accepted these tariff provisions in 2015 as part of the CAISO's Year One EIM enhancement proposals.¹⁴ Prior to the Commission's approval of these tariff revisions in 2015, the only mechanism available for an EIM entity to make transmission available for EIM transfers was the ITR mechanism.¹⁵ At that time, the only EIM entity was PacifiCorp, and the Commission found that it was just and reasonable for PacifiCorp to use that mechanism.¹⁶

Subsequently, the CAISO proposed to "modify the EIM design to accommodate NV Energy's plan to use ATC for EIM Transfers instead of using

¹³ With regard to the last of these possible choices, the CAISO notes that it is feasible for an EIM entity to participate in the EIM without any transfers to other EIM areas.

¹⁴ *Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,087, at P 43 (2015) (2015 EIM Year One Enhancement Order).

¹⁵ *Id.* at P 4.

¹⁶ *PacifiCorp*, 147 FERC ¶ 61,227, at PP 113-14, *order on reh'g, clarification, and compliance*, 149 FERC ¶ 61,057 (2014). Today, PacifiCorp uses both the ITR mechanism and the ATC mechanism. This is because, after NV Energy joined the EIM and chose to use the ATC mechanism, PacifiCorp chose to enable its own ATC mechanism for use on EIM transfer paths that connect PacifiCorp and NV Energy. See *PacifiCorp*, 152 FERC ¶ 61,241, at PP 2-3 (2015).

transmission capacity provided by interchange rights holders, as PacifiCorp has done.”¹⁷ The modified EIM design accepted in the 2015 EIM Year One Enhancement Order allows EIM entities to choose the ATC mechanism if they wish, because “not all BAAs [balancing authority areas] will use the interchange rights holder mechanism adopted by PacifiCorp.”¹⁸ The Commission also noted that the CAISO committed to “continue to enforce EIM Transfer limits to ensure that EIM Transfers across EIM interties do not exceed transmission available to support EIM transfers – through either interchange rights or ATC – and the intertie scheduling limit.”¹⁹ Thus, the Commission recognized that the modified EIM design would permit an EIM entity to choose either the ITR mechanism or the ATC mechanism. Nothing in the Commission’s orders accepting the CAISO tariff provisions suggested that EIM entities that are transmission providers must use the ATC mechanism to make their transmission available for EIM transfers.

B. The Request that Bonneville’s Participation in the EIM Be Conditioned on Bonneville Making ATC Available in Support of EIM Transfers Is Contrary to the Commission-Approved CAISO Tariff and Beyond the Scope of This Proceeding

The Implementation Agreement is intended to document the commitment of the CAISO and Bonneville to work toward development of a participation

¹⁷ 2015 EIM Year One Enhancement Order at P 4. See also CAISO June 15, 2015, transmittal letter CAISO tariff amendment to implement 2015 EIM Year One enhancements, Docket No. ER15-1919-000, at 4 (June 15, 2015) (stating that “the CAISO and stakeholders developed a mechanism to allow EIM Entities to use available transfer capability, as defined under an EIM Entity OATT, to support EIM transfers if it is not being used by transmission customers” (emphasis added); Motion to Intervene and Comments in Support of NV Energy, Docket No. ER15-1919-000, at 4 (July 16, 2015) (stating that “the Commission accepted Section 5.2 of Attachment P of the NV Energy OATT, allowing NV Energy to use ATC in the EIM”) (emphasis added).

¹⁸ 2015 EIM Year One Enhancement Order at P 4.

¹⁹ *Id.* at P 5 (emphasis added).

framework that accommodates Bonneville's circumstances and is consistent with the established EIM market rules. Importantly, the provisions of the Implementation Agreement that are the subject of the NV Energy and PacifiCorp comments – section 14(b) – do not presuppose any change to the CAISO tariff. Instead, the contract simply references Bonneville's intent to voluntarily make transmission available for EIM transfers consistent with the one of two available options in CAISO tariff. It is Bonneville's choice to utilize the ITR mechanism and not the ATC option, and that choice is consistent with the CAISO tariff, the design of the EIM, and Commission precedent. Under the current tariff provisions, this choice is available to all existing and entering EIM entities.

The CAISO is not proposing any changes to the existing CAISO tariff provisions. Nor is the CAISO proposing any exceptions to the existing CAISO tariff. Therefore, the request that the Commission condition Bonneville's participation based on the requirement that a transmission provider EIM entity make available transmission capacity under the ATC option is beyond the scope of this proceeding.²⁰ The Commission should accept the Implementation Agreement without condition or modification and should forgo consideration in this docket of issues that do not bear on the justness and reasonableness of the Implementation Agreement.²¹

²⁰ See *ISO New Eng., Inc.*, 112 FERC ¶ 61,060, at P 13 (2005) (finding that comments raised in a protest are beyond the scope of a section 205 filing and are more properly raised in a complaint under section 206 of the Federal Power Act (FPA)).

²¹ The Implementation Agreement represents the beginning of the process for allowing Bonneville to participate in the EIM, not the end of that process. The Implementation Agreement does not provide any binding terms for Bonneville's participation, but merely commits the CAISO and Bonneville to develop system configuration changes and to work in good faith to reach agreement on an acceptable framework. The terms and conditions of Bonneville's participation in

In evaluating prior EIM implementation agreements, the Commission has repeatedly rejected attempts by commenters to raise concerns regarding the substantive framework that would be developed to facilitate an entity's participation in the EIM as premature and beyond the scope of the proceeding.²² For example, in responding to commenters who sought assurance that principles included in the implementation agreement between the CAISO and PacifiCorp did not predispose any outcome concerning the EIM design, the Commission found that nothing in the implementation agreement prejudged or determined any market design issues.²³ The Implementation Agreement presented in this docket follows the same model; nothing in the Implementation Agreement prejudices or predetermines any outcome of any future submission associated with Bonneville's participation in the EIM.

Insofar as the Commenters are seeking to change the options available for EIM participation under the CAISO tariff, they do not satisfy the procedural requirements for a valid complaint under section 206 of the FPA set forth in the Commission's Rules of Practice and Procedure. Even if a valid section 206 complaint had been filed, the Commenters fail to demonstrate that the flexibility in the existing CAISO tariff to make transmission available to support EIM

the EIM will be set forth in participation agreements that the CAISO will separately submit for Commission acceptance in the future pursuant to section 205 of the FPA. Nothing in the Implementation Agreement prejudices or predetermines the outcome of any future proceeding.

²² See, e.g., *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,200, at PP 28-29 (2014); *Cal. Indep. Sys. Operator Corp.*, 151 FERC ¶ 61,158, at P 21 (2015); *Cal. Indep. Sys. Operator Corp.*, 160 FERC ¶ 61,058, at P 26 (2017).

²³ *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,298, at P 35 (2014).

transfers “through either interchange rights or ATC”²⁴ has become unjust and unreasonable.

The optionality in the existing CAISO tariff is appropriate because different EIM entities have different needs. The CAISO understands that not all EIM entities may be similarly situated to be able to choose between ITR option and the ATC option. Some, such as PacifiCorp at the outset of the EIM or Powerex, only have interchange rights, while others, such as NV Energy itself, may only be able to provide transmission using the ATC approach because they lack specific transmission rights that they can designate under the ITR model. There is no reason why the CAISO tariff should be modified to remove this optionality. It is just and reasonable and not unduly discriminatory for the CAISO to continue to provide options for a variety of different entities to participate in the EIM and to make EIM transfers possible in a manner that they determine best meets their needs.²⁵

Limiting just and reasonable options for EIM participation is contrary to the goal of expanded participation in the EIM, something the Commenters support.²⁶

²⁴ 2015 EIM Year One Enhancement Order at P 5.

²⁵ The CAISO recognizes that not all EIM entities are similarly situated and this is why the EIM is fundamentally voluntary. For example, the CAISO understands that certain EIM entities have opted to settle internally using locational marginal prices (LMPs) rather than using schedules 4 and 9 of their OATTs. Such entities modified their OATTs to effectuate this outcome and were required to either seek or request modifications to their market-based rate authority to support such sales. In some cases, the existence of sufficient EIM transfers supported a finding that the EIM entity could have market-based rate authority because such transfers increased the competitiveness of their balancing authority area markets. See *Portland Gen. Elec. Co.*, 160 FERC ¶ 61,131, at PP 8, 14-20 (2017); *Nev. Power Co., et al.*, 161 FERC ¶ 61,117, at PP 13, 16-24 (2017). If such entities can only provide ATC in support of EIM transfers, the CAISO recognizes that they may not effectively have the option to choose ITR. Under today’s CAISO tariff, each EIM participant has the full scope and flexibility to choose the path that best fits its specific circumstances.

²⁶ NV Energy at 1; PacifiCorp at 1.

Some transmission providers may not be willing to participate in the EIM if the flexibility in the current CAISO tariff is eliminated. Such a change has a significant risk of depriving customers of the documented benefits of more efficient balancing of supply and demand that come from expanding the number of areas in the EIM.

C. Open Access Rules Do Not Require Transmission Providers to Participate in the EIM Under the ATC Option

NV Energy and PacifiCorp suggest that allowing Bonneville not to make all of its firm and non-firm ATC available for EIM transfers would be inconsistent with open access principles of Order No. 890.²⁷ This suggestion is incorrect. Order No. 890 requires transmission providers to offer for sale, not for free, all firm and non-firm capacity that is available and to award (for compensation based on the OATT rate) that capacity on a non-discriminatory basis.²⁸ Transmission provider EIM entities can participate in the EIM on a voluntary basis and at the same time continue to satisfy Order No. 890 open access requirements by making transmission services available for bilateral trades through their individual OATTs.

Nothing in Order No. 890 requires transmission providers that choose to participate in the EIM to market, sell, or otherwise utilize all of their transmission through the EIM. The EIM is a voluntary residual energy imbalance market that

²⁷ NV Energy at 13-14; PacifiCorp at 8. The Commenters cite *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 118 FERC ¶ 61,119, *order on reh'g*, Order No. 890-A, 121 FERC ¶ 61,297 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

²⁸ Order No. 890-A at P 404.

allows transmission providers voluntarily to provide additional benefits to their customers by making residual transmission capacity available for the optimal balancing of supply and demand across a wider footprint. This is a long-standing and fundamental EIM design element – it has always been contemplated that the EIM will operate in parallel with, and in a manner that is compatible and complementary to, bilateral transactions managed through each EIM entity's individual Commission-approved OATT. Therefore, the EIM is designed to permit transmission providers to continue to make their transmission capacity available consistent with their OATT requirements in support of bilateral energy trades outside of the EIM.²⁹ Under the ITR mechanism, the ATC mechanism, or both, the EIM entity can choose to market all of its capacity outside of the EIM in any given hour if the EIM entity can realize benefits for its customers and recover the costs of its transmission.

When PacifiCorp first proposed to make capacity available for EIM transfers using the ITR mechanism, the Commission rejected arguments that this transfer of transmission rights violates the Commission's open access requirements or was inconsistent with open access principles.³⁰ In other words, the Commission correctly found that PacifiCorp was not violating Order No. 890

²⁹ Aside from the fact that nothing in the CAISO tariff or Commission precedent requires an EIM entity to provide all of its ATC on all interties free of charge, such a mandate would create the perverse incentive to depart from engaging in short-term bilateral trades and move all such transactions to the EIM. Absent an appropriate transmission compensation mechanism for EIM transfers, the transactions would be entirely based on "free transmission." This would undermine any ability for the transmission provider to recover its costs for use of its transmission and discourage participation in the EIM.

³⁰ See *PacifiCorp*, 147 FERC ¶ 61,227, at PP 105, 113-115, *order on reh'g*, 149 FERC ¶ 61,057, at PP 22, 30-31.

open access principles when it initially participated in the EIM through the ITR mechanism. The Commenters provide no basis for the Commission to depart from precedent and now find that the EIM, including the option to use ITR mechanism, is somehow inconsistent with the Commission's open access principles.³¹

D. Participation in the EIM Is Voluntary and Allows EIM Entities to Determine the Amount of Transmission Capacity Available for EIM Transfers Consistent with Their Open Access Tariffs

As the Commission has long recognized, participation in the EIM is voluntary.³² The Commenters cite to a footnote in a recent CAISO filing to argue that the CAISO appears to have taken a position that any EIM entity that has ATC must make it available in the EIM.³³ Specifically, they quote a statement the CAISO made in a tariff amendment submitted in 2019 that “[o]nly those EIM

³¹ See also NV Energy at 13-14 (suggesting that the “free use” of transmission on a “reciprocal” basis under EIM is a basis for now mandating that EIM entity transmission providers must make all ATC available for EIM transfers). The reciprocal use of transmission capacity for EIM transfers is not equivalent to “reciprocity” as that term is used in the Commission’s open access rulemakings. The reciprocity approach approved by the Commission for the EIM means that a transmission provider agrees not to charge for use of transmission that it voluntarily decides to make available for EIM transfers, because any two EIM entities participating in EIM trades benefit from those exchanges. See, e.g., *PacifiCorp*, 149 FERC ¶ 61,057, at P 63 (“We are not persuaded that charging for EIM use of PacifiCorp transmission facilities would be consistent with CAISO’s reciprocal transmission proposal”); *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231, at P 53 (2014) (“Because CAISO concluded that avoidance of pancaked rates for EIM transfers between BAAs participating in the EIM was critical to the creation of a real-time market that spans the service territories of multiple transmission providers, CAISO is proposing what it terms ‘reciprocity’ whereby each EIM market participant will pay the transmission rate of the transmission provider in whose service territory it is located – i.e., a license plate rate.”). When the Commission approved the CAISO’s proposal for reciprocal transmission charges in the EIM, it also noted that such an approach may not be the only just and reasonable approach for EIM transmission rates. *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231, at P 160. As noted *infra*, additional approaches to compensation for transmission used for EIM transfers will be considered as part of the EDAM stakeholder process.

³² See, e.g., *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231, at P 2.

³³ NV Energy at 2, 13; *PacifiCorp* at 7.

entities using transmission made available through interchange rights pursuant to CAISO tariff section 29.17(f)(2) may determine the transmission they make available based on factors other than how much transmission is available through the well documented practice of calculating ATC.”³⁴ The CAISO clarifies that the quoted footnote means that, if an EIM entity chooses the ATC mechanism and documented that usage in its amended OATT, the EIM entity must follow its OATT procedures for determining what ATC remains unused and is therefore eligible for use by the EIM, which the EIM entity reflects in the EIM transfer limit it provides to the CAISO. This statement does not mean that any EIM entity that has ATC must make all unused ATC available for EIM transfers. In a later filing in the same docket, the CAISO reiterated that participation in the EIM is voluntary and that the “EIM market rules also allow EIM participants to determine [in addition to type of transmission] the amount of transmission they make available for EIM energy transfers.”³⁵

The Commenters contend that, absent specific operational concerns, transmission provider EIM entities should strive to make otherwise unused ATC available to the market.³⁶ This argument ignores the fact that, even under the ATC mechanism, in any given interval an EIM entity transmission provider can sell all of its available transmission capacity in the bilateral market and thus

³⁴ Transmittal letter for CAISO Tariff Amendments to Enhance Local Market Power Mitigation and Reflect Hydroelectric Resource Opportunity Costs in Default Energy Bids, Docket No. ER19-2347-000, at 26 n.44 (July 2, 2019).

³⁵ CAISO Request for Rehearing and Alternative Motion for Clarification, Docket No. ER19-2347-001, at 4 n.5 (Oct. 30, 2019).

³⁶ NV Energy at 9; PacifiCorp at 5-6.

provide zero ATC to the EIM. In the NV Energy example,³⁷ if Bonneville were to make 10 MW available for import or export on the Alturas Intertie (the interconnect between Bonneville and NV Energy), and NV Energy were to have 50 MW of ATC available on that intertie, then the EIM transfer limit would be 10 MW. Based on the CAISO tariff, Bonneville would have no obligation to make ATC available for EIM transfers up to the 50 MW made available by NV Energy. Equivalently, nothing prevents NV Energy from selling all of its available capacity over the Alturas Intertie through the NV Energy OATT until the scheduling deadline of 20 minutes prior to the applicable trading hour (T-20). In this example, it would mean that despite Bonneville providing 10 MW on the Alturas Intertie, and NV Energy not providing any capacity on that intertie, the EIM transfers at that intertie will be limited based on the 0 MW ETSR (*i.e.*, the lower of two). Therefore, it is possible that even under the ATC mechanism, an EIM entity may make no capacity available for EIM transfers.

PacifiCorp argues that, if Bonneville were to not make its ATC available, Bonneville would be a “free rider” because it would receive the benefits of other EIM entity transmission providers making ATC available to the EIM while not offering transmission to the market in the same manner.³⁸ This argument reflects an erroneous understanding of the core EIM design. Under the EIM design, EIM entities realize benefits associated with EIM transfers only up to the amount of transmission capacity they themselves provide for such EIM transfers. This

³⁷ See NV Energy at 12-13.

³⁸ PacifiCorp at 7.

means that, independent of whether an EIM entity chooses the ITR mechanism, the ATC mechanism, or both, the entity cannot realize benefits that are any greater than its total transmission capacity contribution to EIM transfers. The CAISO sets the intertie scheduling limit equal to the lowest value as determined by the EIM entity submitting the E-tag. Consequently, it is impossible to realize benefits due to transmission provided only by others, *i.e.*, it is not possible for an EIM entity to have free ridership and benefit from EIM transfers due to the mechanism it has chosen or the amount of transmission it has made available to the market for use in EIM transfers.³⁹ Consequently, it is impossible to achieve preferential treatment by providing a specific type or specific amount of transmission for EIM transfers.

E. The CAISO and Stakeholders Will Address Incentives for the Voluntary Contribution of Additional Capacity for EIM Transfers and Compensation for EIM Wheeling Transactions in an Ongoing Stakeholder Process

NV Energy urges the CAISO to engage in a stakeholder process to evaluate appropriate compensation for equitable sharing of EIM wheeling benefits prior to Bonneville's entrance into the EIM in the Spring of 2022. The CAISO is fully committed to considering means for incentivizing the contribution of transmission in support of EIM transfers and has committed to do so in the pending EDAM stakeholder effort that will, among other things, address transmission compensation for wheel-throughs. The purpose of the EDAM stakeholder initiative is to develop a day-ahead energy market framework in

³⁹ Even if the EIM entity does not provide any transmission for EIM transfers, however, it can still realize benefits due to optimizing the operation within its own balancing authority area.

which EIM entities can participate, similar to how they participate in the CAISO real-time market.⁴⁰ As part of that stakeholder process, the CAISO must address the issue of transmission usage made available to support EDAM transfers between participating balancing authority areas.⁴¹

The CAISO agrees, however, with the Commenters that it is important at this time to have an open and in-depth discussion regarding the alternative ways in which EIM participants can contribute transmission to support EIM transfers. The CAISO also recognizes that transmission compensation could be a means for incentivizing the voluntary provision of additional transmission capacity in support of EIM transfers either under the ITR or ATC model, a combination of the models, or alternative models. The CAISO will ensure the EDAM stakeholder process includes a robust consideration of these questions and the CAISO affirms its commitment to not only address how transmission is made available and compensated for EDAM transfers, but also to consider in that stakeholder process the corresponding clarifications or revisions to transmission compensation mechanisms for wheel-throughs arising out of EIM transfers specifically. Moreover, the CAISO recognizes that, depending on the development and implementation of the EDAM, it may be necessary to expedite implementation of transmission compensation in support of wheel-throughs arising out of EIM transfers ahead of full implementation of the EDAM.

⁴⁰ Materials related to the EDAM stakeholder process are available at <http://www.caiso.com/StakeholderProcesses/Extended-day-ahead-market>.

⁴¹ See Issue Paper entitled “Extending the Day-Ahead Market to EIM Entities” at 8-9 (Oct. 10, 2019), available at <http://www.caiso.com/InitiativeDocuments/IssuePaper-ExtendedDayAheadMarket.pdf>.

The CAISO further understands that there may be other ways of incentivizing increased contributions and is committed to considering enhancements that would accomplish that goal within the voluntary construct of the EIM. For example, the CAISO is engaged in an initiative to improve the EIM timeline by which transmission limits in support of EIM transfers are communicated from up to 40 minutes before the applicable trading hour (T-40) to up to 30 minutes before the trading hour (T-30).⁴² This will give EIM entities using the ATC option an extra 10 minutes to sell ATC in bilateral markets before committing unsold ATC to the EIM. This could incentivize EIM entities to voluntarily increase the ATC made available in support of EIM transfers.

The CAISO agrees with the Commenters that with the increased participation of various parties in the EIM it is important to ensure that participants have a common understanding of the implications of the various models used to make transmission capacity available for EIM transfers. The proper venue for such discussions is the ongoing EDAM stakeholder process, because the CAISO and stakeholders must already address therein how transmission is made available in the day-ahead timeframe and the EIM. The CAISO and stakeholders will have to take a holistic look at these issues and can examine the implications more closely in that stakeholder process.

These are all issues to be considered in the EDAM stakeholder process and not in the current proceeding. This proceeding is not only procedurally

⁴² Pursuit of this enhancement is expressed in the proposed Implementation Agreement. See Implementation Agreement, section 14(g).

deficient to address these questions, but also void of any record that suggests that Bonneville's participation must be conditioned on the outcome of that discussion. Although the CAISO understands it is Bonneville's intent to commence its participation in the EIM using the ITR option in support of EIM transfers, there is nothing in the Implementation Agreement or the CAISO tariff that would prevent Bonneville from either incorporating ATC in support of EIM transfers or increasing its ITRs. The Implementation Agreement simply acknowledges such optionality.

III. Conclusion

For the foregoing reasons, the CAISO requests that the Commission accept the Implementation Agreement as filed, without modification or condition.

Respectfully submitted,

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Dated: January 13, 2020

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, pursuant to the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, DC this 13th day of January, 2020.

/s/ Daniel Klein
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