171 FERC ¶ 61,262
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Richard Glick, Bernard L. McNamee,
and James P. Danly.

California Independent System Operator Corporation — Docket No. ER20-1702-000

ORDER ACCEPTING SPLIT RESOURCE PARTICIPATION AGREEMENT

(Issued June 29, 2020)

1. On April 30, 2020, the California Independent System Operator Corporation (CAISO) filed, pursuant to section 205 of the Federal Power Act (FPA),[1] an executed Split Resource Participation Agreement (Agreement) with CCFC Sutter Energy, LLC (Calpine). The Agreement sets forth the terms and conditions which will allow CAISO and Calpine to treat the Sutter Energy Center (Sutter) as a split resource[2] for the purposes of participation in the CAISO markets. In this order, we accept the Agreement, effective July 1, 2020, as discussed below.

I. <u>Background and Agreement</u>

2. Sutter is a 550 megawatt combined-cycle natural gas turbine generating facility located in the Balancing Authority of Northern California (BANC) balancing authority area (BAA) and interconnected to the transmission system of the Western Area Power Administration – Sierra Nevada Region (WAPA).[3] CAISO explains that the Sutter resource currently provides the Sacramento Municipal Utility District (SMUD) with approximately one-half of its capacity under existing contracts, and that Calpine has contractual arrangements with load serving entities in CAISO for the other half of its

[1] 16 U.S.C. § 824d (2018).

[2] A split resource is a generating resource that is treated as two separate generating units, each subject to the CAISO Tariff. CAISO Filing, Attachment A, Agreement § 2.2.

[3] CAISO Transmittal at 2.

capacity.[4] Sutter is also a participating resource in CAISO's Energy Imbalance Market (EIM).[5]

3. CAISO also states that SMUD and WAPA effectively operate as separate subsystems within BANC, and this separation of the SMUD and WAPA systems through interchange-like practices makes it necessary to account for the SMUD share of Sutter's capacity as a pseudo-tie[6] from the WAPA subarea to the SMUD subarea.[7] Separately, CAISO will account for the split generating unit that will participate in CAISO's day-ahead and real-time markets as a pseudo-tie from the WAPA subsystem to the CAISO BAA.[8]

4. CAISO explains that the purpose of the Agreement is to support the concurrent participation of Sutter in CAISO's EIM and day-ahead and real-time markets through pseudo-ties.[9] Specifically, the Agreement provides that through simple modeling and logical metering, Calpine will split the Sutter resource into two separate simple generating units for modeling and participation in CAISO. One generating unit will provide capacity to SMUD and participate in the EIM as a participating resource. The other unit will be dynamically pseudo-tied from WAPA to the CAISO BAA and will participate in the CAISO day-ahead and real-time markets, as well as provide resource adequacy to CAISO.

5. CAISO states that both generating units may participate independently in the CAISO markets, or not at all, provided that each unit meets CAISO's Tariff

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[4] *Id.*

[5] *Id.* at 8.

[6] Although not defined in the Agreement, a pseudo-tie involves the real-time transfer of control of a generating resource from the native balancing authority, in which that resource is physically located, to an attaining balancing authority in a different geographic location. CAISO eTariff, app. A, Master Definition Supplement, Pseudo-Tie (0.0.0).

[7] CAISO Transmittal at 2.

[8] *Id.* at 7.

[9] According to CAISO, Sutter is the first EIM participating resource with a demonstrated need to concurrently pseudo-tie to the CAISO BAA in 2020 due to its intention to offer capacity to satisfy CAISO's resource adequacy needs. *Id.* at 8.

requirements, contractual terms, and applicable business practices.[10] In addition, each unit must fulfill any associated requirements of BANC, WAPA, and SMUD, and must be represented by a different scheduling coordinator.

6. CAISO explains that Calpine is required to provide separate telemetry data for the entire Sutter resource and each split generating unit,[11] and that the parties will test and confirm the transmission of data prior to either generating unit participating in the CAISO markets. The Agreement provides that Calpine may register changes to the CAISO master file only after updating applicable agreements, and that CAISO will provide Calpine with 30 days' written notice regarding the need for modifications to telemetry data.[12] CAISO states that the telemetry, master file changes, and allocation protocols are the only non-standard requirements imposed under the Agreement, and that provisions regarding term and termination, applicability of the CAISO Tariff, costs, dispute resolution, representations and warranties, liability, uncontrollable forces, and miscellaneous terms are substantially similar to the CAISO *pro forma* participation agreement.

7. CAISO explains that the Agreement requires the parties to establish allocation protocols for feasible dispatches and consistent reporting and accounting procedures for the split generating units. Under the Agreement, Calpine will assume financial and operating responsibility associated with operating Sutter as a split resource, including complying with CAISO's Tariff, responding to dispatch instructions according to the allocation protocol, and notifying CAISO of potential infeasible dispatches. CAISO states that the allocation protocol will consider resource characteristics, outages, telemetry, and metering for each generating unit, and that Calpine will report outages to each generating unit's scheduling coordinator for appropriate reporting to CAISO. CAISO states that Calpine will, whenever possible, allocate outages proportionally between each unit based on the capacity splits outlined in Schedule 1 under the Agreement, unless a *pro rata* split violates physical constraints or contractual obligations, including SMUD's current contractual right to Sutter's output that ends on October 31, 2020.

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[10] *Id.* at 2.

[11] CAISO states that the telemetry requirements ensure that the split resource can comply with its Tariff's existing definition of a generating unit, which is defined as an "individual electric generator and its associated plant and apparatus whose electrical output is capable of being separately identified and metered." *Id.* at 7; CAISO Filing, Attachment A, Agreement § 2.2.4.

[12] CAISO Transmittal at 3; CAISO Filing, Attachment A, Agreement § 2.2.4.

8. The Agreement provides that each generating unit will be modeled according to the constraints of the market it participates in and settled separately with the respective scheduling coordinator. CAISO explains that because the pseudo-tied resources are modeled as belonging to the attaining BAA, there will be modeling differences in their power balance shadow prices, marginal losses, congestion, and other components of locational marginal price and, therefore, the split generating units may have different locational marginal prices in the real-time market. CAISO states that the allocation protocol, settlement with different scheduling coordinators, and monitoring in accordance with CAISO's Tariff will mitigate any opportunities for gaming in relation to possible price differences. CAISO notes that congestion differences could also arise, and that the units may use different settlement mechanisms for losses.[13]

9. Finally, with respect to the Tariff's requirement that a pseudo-tie resource dynamically transfer its full output to CAISO, CAISO explains that Calpine will meet this requirement by treating each generating unit as a separate resource, and the unit that will participate in CAISO will dynamically transfer its full output to CAISO.[14]

10. CAISO states that following Commission acceptance of the Agreement, Calpine will execute a *pro forma* Pseudo-Tie Participating Generator Agreement for the generating unit that will be pseudo-tied into CAISO and update the Dynamic Transfer Balancing Authority Operating Agreement with BANC.[15] CAISO also states that it will address the needs of future split resources and potential Tariff changes through a stakeholder process and notes that other independent system operators and regional transmission organizations support market participation by pseudo-tie resources representing less than the full output of the generating facility.

II. Notice and Responsive Pleadings

11. Notice of CAISO's filing was published in the *Federal Register*, 85 Fed. Reg. 26,972 (May 6, 2020), with interventions and protests due on or before May 21, 2020. Timely motions to intervene were filed by Calpine Corporation; Pacific Gas and Electric Company; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities); WAPA; Modesto Irrigation District; City of Roseville, California; BANC; California Department of Water Resources State Water Project; and Northern California Power Agency (NCPA). Calpine Corporation and BANC both also submitted supporting

[13] CAISO Transmittal at 6.

[14] *Id.* at 7-8.

[15] *Id.* at 9-10.

comments, and NCPA submitted comments. CAISO submitted an answer to NCPA's comments.

III. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2019), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2019), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept CAISO's answer because it has provided information that assisted us in our decision-making process.

B. Substantive Matters

1. Comments

14. NCPA does not oppose the Agreement, but asks the Commission to condition acceptance on CAISO submitting an informational filing to detail the implementation of the Agreement and to require Calpine to replace the Agreement once CAISO concludes its stakeholder process regarding split resource participation.[16] NCPA argues that allowing a resource to simultaneously operate in the CAISO's real-time market and the EIM is more complex than CAISO suggests, and that it is unclear how CAISO will apply its existing Tariff provisions – such as those governing market monitoring, modeling, outage coordination, and operating reserves – to the arrangement. NCPA asserts that the arrangement could create opportunities to exercise market power and as such clear guidelines are needed to implement CAISO's market monitoring provisions given the complexities of a single resource operating across multiple BAAs. NCPA seeks clarity on how the split resources are modeled in CAISO's master file (e.g., the expression of each unit's minimum output level, which is dependent on the output level of the other unit). NCPA also argues that CAISO should make available details regarding the allocation of outages between the two units and the impact of the arrangement on operating reserve requirements in the relevant balancing areas. NCPA argues that requiring CAISO to submit an informational filing with these details would ensure that the Agreement results in just and reasonable rates and may inform CAISO's stakeholder process on split resource participation.

[16] NCPA Comments at 1, 8. NCPA states that Sutter should be subject to the same rules that will apply to all similarly situated split resources participating in the EIM.

15. Calpine Corporation and BANC filed comments in support of the Agreement. Calpine Corporation states that it has executed resource adequacy contracts for the next three years for the Sutter unit that will be pseudo-tied into CAISO, and that the Agreement will allow CAISO to better serve its reliability needs, while the unit tied into SMUD will participate in the EIM and serve its pre-existing contractual obligations as a capacity resource in SMUD.[17] BANC supports the Agreement, asserting that it will allow Sutter's full plant capacity to be used economically and will improve reliability.[18]

2. CAISO's Answer

16. CAISO objects to NCPA's request for the Commission to condition acceptance of the Agreement on the submission of an informational filing, and argues that it is not required to submit implementation details to the Commission.[19] Nevertheless, CAISO responds to NCPA's expressed concerns with additional information.

17. CAISO argues that it is not required to provide specific details regarding market monitoring, but states that its Division of Market Monitoring (DMM) will have access to the allocation protocol and all necessary data to provide appropriate oversight.[20] CAISO acknowledges the challenges associated with correctly modeling the split resources, but asserts that the modeling and subsequent operation of the generating units does not significantly affect the rates, terms, and conditions under the CAISO Tariff, and that the generating units will be operated pursuant to existing Tariff rules.[21]

18. With respect to allocation of outages between the two generating units, CAISO states that the Agreement recognizes existing capacity obligations to SMUD and establishes a *pro rata* allocation whenever permitted by operational conditions following the expiration of those obligations.[22] CAISO adds that DMM will have oversight of outage reporting and ensure outages comply with the allocation protocol. CAISO notes

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[17] Calpine Comments at 2.

[18] BANC Comments at 3.

[19] CAISO Answer at 1.

[20] *Id.* at 4, 6.

[21] *Id.* at 7; CAISO Filing, Attachment A, Agreement § 4.1.

[22] CAISO Answer at 8; CAISO Filing, Attachment A, Agreement § 2.2.5.

that Calpine will be responsible for availability consequences pursuant to the Tariff and its agreements with SMUD and load serving entities.[23]

19. CAISO affirms that splitting Sutter's capacity will have no adverse impact on reliability and states that CAISO and BANC will account for the capacity pseudo-tied into their respective BAAs according to the applicable reliability standards and will maintain additional information with respect to contingency reserve accounting with reliability compliance as needed.[24]

20. Further, CAISO explains that article III of the Agreement provides for termination of the Agreement if the stakeholder process results in Tariff modifications addressing market participation by shared resources in a manner substantially similar to the Agreement. CAISO expresses its intention to incorporate lessons learned from the Agreement into the stakeholder process.[25]

C. Commission Determination

21. We find the Agreement to be just and reasonable and accept it for filing, effective July 1, 2020, as requested. CAISO has demonstrated that the Agreement will benefit CAISO's customers by providing for the efficient use of Sutter's capacity in the CAISO day-ahead and real time markets and the EIM, as well as providing resource adequacy capacity, while Calpine retains full financial and compliance responsibility for operating the split resource.[26] CAISO states that it has identified a need to support market participation by pseudo-tie resources representing less than the entire output of the generating facility,[27] which the Agreement will facilitate. We also note that, besides the Agreement's provisions for telemetry, master file changes, and allocation protocols discussed herein, Sutter will participate in CAISO's markets pursuant to the terms and conditions of the CAISO Tariff.[28] The Agreement may also be instructive as CAISO undertakes a stakeholder process to develop an approach for other resources to similarly split generating capacity for the purposes of participating in CAISO markets and the EIM.

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[23] CAISO Answer at 8.

[24] *Id.* at 9.

[25] *Id.* at 9-10.

[26] CAISO Filing, Attachment A, Agreement § 2.2.2.

[27] CAISO Transmittal at 8.

[28] *See id.* at 3.

22. We decline to condition our acceptance of the Agreement as requested by NCPA. We find CAISO's explanations regarding monitoring, modeling, allocation, and reliability adequately explain how its system will operate in connection with Sutter's split participation. We also note that the Agreement permits CAISO to terminate the Agreement by issuing a 30-day notice once the Commission approves substantially similar rules in the CAISO Tariff for shared pseudo-tie resource participation.[29] Furthermore, CAISO represents that Calpine and CAISO understand that a transition to generally applicable rules will occur following its stakeholder process.[30]

The Commission orders:

The Split Resource Agreement between CAISO and Calpine is hereby accepted, effective July 1, 2020, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

[29] CAISO Filing, Attachment A, Agreement § 3.2.1.

[30] CAISO Answer at 9-10.

Document Content(s)