

150 FERC ¶ 61,185
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

March 13, 2015

In Reply Refer to:
California Independent
System Operator Corporation
Docket No. ER15-850-000

California Independent System
Operator Corporation
250 Outcropping Way
Folsom, California 95630

Attn: John C. Anders, Esq.

Reference: Tariff Amendment to Eliminate Fixed Energy Imbalance Market
Administrative Charge and Request for Waiver of Notice Period

Dear Mr. Anders:

1. On January 14, 2015, the California Independent System Operator Corporation (CAISO) filed a proposed tariff amendment under section 205 of the Federal Power Act¹ to revise section 29.11(i) of the CAISO tariff regarding the base and minimum administrative charges assessed to participants in the Energy Imbalance Market (EIM). This order accepts CAISO's proposed tariff amendment, effective January 15, 2015, as requested.

2. The EIM was fully activated on November 1, 2014, following a one-month test period, during which CAISO ran a real-time representation of the EIM in a parallel but non-binding production environment. Under the EIM, entities with balancing authority areas (BAAs) outside of CAISO may voluntarily take part in the imbalance energy portion of the CAISO locational marginal price-based real-time market alongside

¹ 16 U.S.C. § 824d (2012).

participants from within the CAISO BAA.² PacifiCorp's two BAAs—PacifiCorp East and PacifiCorp West—are the initial participants in the EIM.³

3. CAISO currently charges EIM market participants⁴ a base administrative rate of the \$0.19/MWh applied to the sum of: (1) the total gross absolute value of 15-minute market instructed imbalance energy, gross absolute value of real-time dispatch imbalance energy, and gross absolute value of uninstructed imbalance energy of the EIM market participant's supply; and (2) the gross absolute value of uninstructed imbalance energy of all the EIM market participant's demand.⁵ CAISO explains that it derived the \$0.19/MWh fee by determining the amount attributable to the real-time market for the market services and system operations cost components of its grid management charge.⁶ CAISO explains that its current tariff also includes a minimum EIM administrative charge, to ensure that CAISO is able to cover the costs of providing EIM service regardless of the volume of instructed and uninstructed imbalance energy. This minimum charge is calculated by applying the \$0.19/MWh rate to the sum of: (1) five percent of the total gross absolute value of supply of all EIM market participants; and (2) five percent of the total gross absolute value of demand of all EIM market participants.⁷ If the amount of EIM administrative charges to the EIM market participants is less than the minimum EIM administrative charges, CAISO assesses an allocated difference to each EIM Entity scheduling coordinator.⁸ CAISO states that it

² *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231, *order on rehearing, clarification, and compliance*, 149 FERC ¶ 61,058 (2014) (conditionally accepting proposed tariff revisions to implement the EIM).

³ *PacifiCorp*, 147 FERC ¶ 61,227, *order on rehearing, clarification, and compliance*, 149 FERC ¶ 61,057 (2014), *reh'g denied*, 150 FERC ¶ 61,084 (2015) (conditionally accepting in part and rejecting in part revisions to PacifiCorp's open access transmission tariff to enable participation in the EIM).

⁴ EIM market participants include balancing authorities that join the EIM (EIM Entities), resources participating in the EIM (EIM Participating Resources), and scheduling coordinators for EIM Entities and EIM Participating Resources. CAISO Tariff, Appendix A (Definitions).

⁵ CAISO Tariff, § 29.11(i)(1); Transmittal at 3.

⁶ *Id.* at 3-4.

⁷ CAISO Tariff, § 29.11(i)(2).

applies any revenues received from the EIM administrative charges against the costs to be recovered through its grid management charge, so that it remains revenue neutral.

4. CAISO explains that, since the implementation of the EIM, EIM market participants have been assessed considerably more in EIM administrative charges than CAISO anticipated under the EIM administrative charge rate structure.⁹ CAISO states that it originally expected that the amount of minimum EIM administrative charges would typically exceed the amount of base EIM administrative charges, and that an EIM entity scheduling coordinator would then be responsible for the difference. In practice, however, EIM market participants have frequently been responsible for the entire EIM administrative charge, because the base EIM administrative charges have often exceeded the minimum EIM administrative charges.¹⁰

5. Further, CAISO explains that the amounts collected from EIM market participants under the EIM administrative charge structure have exceeded the amounts allocated to non-EIM CAISO market participants through the grid management charge for the same real-time market services provided during the same time period.

6. CAISO attributes this difference to the estimated billing determinant volumes used in the respective calculations. Specifically, CAISO asserts, the estimated billing determinant volume used to calculate the grid management charge market services rate and the separate estimated billing determinant volume used to calculate the grid management charge systems operations rate are each lower than the combined estimated billing determinant volume CAISO uses to calculate the \$0.19/MWh rate for the EIM administrative charge.¹¹ CAISO further explains that, based on the information available at the time it filed the original EIM administrative charge, it selected a single billing determinant that it believed would be the most representative to apply to the \$0.19/MWh rate for the base EIM administrative charge. However, CAISO acknowledges that this simplified structure ultimately resulted in the assessment of a larger amount of EIM administrative charges than CAISO anticipated under the rate design.¹²

⁸ An EIM Entity Scheduling Coordinator is the entity through which an EIM Entity participates in the EIM. CAISO Tariff, Appendix A (Definitions).

⁹ Transmittal at 4.

¹⁰ *Id.* at 5.

¹¹ *Id.*

¹² *Id.* at 4.

7. According to CAISO, the unanticipated amounts of EIM administrative charges that have been assessed are inconsistent with CAISO and stakeholders' intent to design a charge that would bill EIM market participants an amount comparable to CAISO market participants using the same real-time market services.¹³ Therefore, CAISO proposes to revise its tariff such that CAISO will no longer assess EIM market participants an administrative charge based on volumes of imbalance energy. CAISO instead proposes to charge EIM entity scheduling coordinators the existing minimum EIM administrative charge, which applies the \$0.19/MWh rate to the sum of: (1) five percent of the total gross absolute value of supply of all EIM market participants; and (2) five percent of the total gross absolute value of demand of all EIM market participants.¹⁴ Based on CAISO's observation that the amount of minimum EIM administrative charges was approximately one-third of the amount of base EIM administrative charges for the November 1-13, 2014 period, CAISO expects the tariff revisions will reduce the payments to a level that allows CAISO to remain revenue neutral.¹⁵

8. Finally, CAISO notes that it intends to develop a long-term solution that reflects the objective of the EIM administrative charge in consultation with stakeholders as part of phase 1 of its ongoing EIM enhancements initiative. While CAISO would plan to implement any tariff revisions in the fall pursuant to a subsequent tariff filing following approval from the CAISO Board of Governors, CAISO explains that it may request an effective date that precedes implementation to reduce the amount of time that the interim rate proposed in this filing will be in effect.¹⁶

9. CAISO requests that the Commission accept the amendment for filing to become effective January 15, 2015.¹⁷ CAISO submits that waiver of the Commission's prior notice requirements is necessary to allow the tariff revisions to become effective as soon as possible, which will enable CAISO to ensure that the amounts of EIM administrative

¹³ *Id.* at 6.

¹⁴ Proposed CAISO Tariff § 29.11(i)(1)(A)-(B). CAISO also proposes to clarify that the minimum EIM administrative charge applies to the gross absolute values of supply and demand of all EIM market participants specifically in the EIM balancing authority area. Transmittal at 7.

¹⁵ CAISO notes that it did not conduct a stakeholder process for this tariff amendment, because the amendment is intended to facilitate implementation of policy objectives developed in 2013 with input from stakeholders. *Id.* at 6-7.

¹⁶ *Id.* at 7.

¹⁷ *Id.* at 7-8.

charges CAISO assesses are consistent with CAISO's intent in designing the charge. CAISO states that it is prepared to implement the required resettlement "in a timeframe aligned with its 2015 spring release," and requests that the Commission permit flexibility with respect to the implementation date of its order so that CAISO can conduct the resettlement in a timely and orderly manner.¹⁸ CAISO states that it will submit an informational filing in this proceeding specifying the implementation date, should the Commission direct it to do so.

10. Notice of CAISO's filing was published in the *Federal Register*, 80 Fed. Reg. 3231 (2015), with protests and interventions due on or before February 4, 2015. Timely motions to intervene were submitted by the Alliance for Retail Energy Markets; Exelon Corporation; Southern California Edison Company; the Modesto Irrigation District; Pacific Gas and Electric Company; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; the Northern California Power Agency; and the Cities of Santa Clara, California and Redding, California, and the M-S-R Public Power Agency. PacifiCorp filed a timely motion to intervene and comments.

11. PacifiCorp states that it supports CAISO's proposal to revise the administrative charges assessed to EIM market participants as an appropriate interim measure while stakeholders and CAISO work to develop a long-term redesign of the EIM administrative charge. Furthermore, PacifiCorp states that CAISO's proposal will not require PacifiCorp to revise its own OATT, thus facilitating greater administrative efficiency.¹⁹ PacifiCorp also supports CAISO's requested January 15, 2015 effective date and would support a Commission directive requiring CAISO to submit an informational filing specifying the implementation date of the resettlement.

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motions to intervene serve to make the movants parties to the proceeding.

13. We will accept CAISO's proposed tariff revisions, to become effective January 15, 2015, as requested.²⁰ The proposed tariff revisions align the EIM administrative charges that CAISO assesses more closely with CAISO's original intention in developing these charges. As revised, the tariff provisions appear to strike an appropriate balance between ensuring that CAISO is able to cover the costs of providing

¹⁸ *Id.* at 8-9.

¹⁹ PacifiCorp comments at 3-4.

²⁰ 18 C.F.R. § 35.11 (2014). See *Central Hudson Gas and Electric Corp.*, 60 FERC ¶ 61,106, *order on reh'g*, 61 FERC ¶ 61,089 (1993).

EIM service and protecting EIM market participants from charges that are inconsistent with those assessed to non-EIM market participants for the same real-time market services.

14. Additionally, we will grant CAISO's request for waiver of the notice requirement, as doing so will provide CAISO with more immediate flexibility to implement the required changes, conduct resettlements and avoid excessive EIM administrative charges from January 15, 2015 to the implementation date in a timely and orderly manner. Consistent with CAISO's commitment in the filing, we direct CAISO to submit an informational filing, within 30 days of the date of implementation of the resettlement, specifying the implementation date of the resettlement and identifying the amounts that were resettled pursuant to the resettlement.²¹

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

²¹ The filing will not be noticed or require Commission action.