

123 FERC ¶ 61,180
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

California Independent System Operator
Corporation

Docket No. OA08-12-000

ORDER ACCEPTING COMPLIANCE FILING, AS MODIFIED

(Issued May 16, 2008)

1. On October 11, 2007, pursuant to section 206 of the Federal Power Act (FPA),¹ the California Independent System Operator Corporation (CAISO) submitted its compliance filing as required by Order No. 890.² In this order, we will accept the CAISO's compliance filing as modified, as in compliance with Order No. 890, as discussed below.

I. Background

2. In Order No. 890, the Commission reformed the *pro forma* Open Access Transmission Tariff (OATT) to clarify and expand the obligations of transmission providers to ensure that transmission service is provided on a non-discriminatory basis. Among other things, Order No. 890 amended the *pro forma* OATT to require greater consistency and transparency in the calculation of available transfer capability (ATC), open and coordinated planning of transmission systems and standardization of charges for generator and energy imbalance services. The Commission also revised various policies governing network resources, rollover rights and reassignments of transmission capacity.

3. The Commission established a series of compliance deadlines to implement the reforms adopted in Order No. 890. Transmission providers that have been approved as

¹ 16 U.S.C. § 824e (2000 & Supp. V 2005).

² *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 Fed. Reg. 12,266 (Mar. 15, 2007), FERC Stats. & Regs. ¶ 31,241 (2007), *order on reh'g*, Order No. 890-A, 73 Fed. Reg. 2984 (Jan. 16, 2008), FERC Stats. & Regs. ¶ 31,261 (2007).

independent system operators (ISO) or regional transmission organizations (RTO) were directed to submit, within 210 days from publication of Order No. 890 in the Federal Register (i.e., October 11, 2007), section 206 compliance filings that contain the non-rate terms and conditions set forth in Order No. 890 or that demonstrate that their existing tariff provisions are consistent with or superior to the revised provisions of the *pro forma* OATT. The Commission also aligned the compliance filing deadlines for ISOs and RTOs and their transmission-owning members, and required public utility transmission owners whose transmission facilities are under the control of RTOs or ISOs to make any necessary tariff filings required to comply with Order No. 890 within 210 days after the publication of Order No. 890 in the Federal Register (i.e., October 11, 2007).³

4. The CAISO currently provides transmission service under a Commission-approved OATT. However, the CAISO is in the process of developing its Market Redesign and Technology Upgrade (MRTU) based on locational marginal prices (LMP), including a day-ahead market with congestion revenues rights and a real-time energy market. On February 9, 2006, the CAISO filed its MRTU tariff and requested an effective date of November 1, 2007. The proposed MRTU tariff was conditionally accepted for filing, subject to modifications, in a September 21, 2006 Commission order.⁴ Since the issuance of the September 2006 MRTU Order, the CAISO has submitted with the Commission further compliance filings and monthly status reports, and has requested additional time to address certain components of its market design. In January 2008, the CAISO indicated that the previously announced March 31, 2008 MRTU implementation date was no longer viable. While the CAISO has not yet announced a new MRTU implementation date, in its April 7, 2008 monthly MRTU status report, the CAISO states that the MRTU implementation date will not be before summer 2008.⁵

³ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 157, 161.

⁴ See *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at P 1 (2006) (September 2006 MRTU Order); see also *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,076 (2007) (April 2007 Rehearing Order); see also *Cal. Indep. Sys. Operator Corp.*, 120 FERC ¶ 61,271 (2007). (September 2007 Rehearing Order).

⁵ In its status report, the CAISO stated that it will announce a new implementation date when: (1) market participants have had an opportunity to test the MRTU functionality; and (2) market participants have provided feedback to CAISO management. The CAISO stated that the target date for this discussion is the CAISO board meeting, to be held on July 9-10, 2008. CAISO April 7, 2008 Monthly Status Report, Docket No. ER06-615-000, at 2.

II. Compliance Filing

5. In its October 11, 2007 compliance filing, the CAISO states that both the existing CAISO tariff and the MRTU tariff satisfy the goals outlined in Order No. 890 of preventing undue discrimination and preference in the provision of transmission service. Specifically, the CAISO states that the terms and conditions specified in the existing CAISO tariff and the MRTU tariff are consistent with or superior to the provisions of the *pro forma* OATT, as revised by Order No. 890. In support of its assertion, the CAISO states that the transparency of its operations, procedures, and congestion management mechanisms address any concerns pertaining to undue discrimination or preference in transmission service. In its compliance filing the CAISO explains that because the MRTU tariff will become effective in the foreseeable future, good cause exists for the Commission to permit the CAISO to make its compliance demonstration based upon the service model and tariff provisions that will be in place on the effective date of MRTU implementation, rather than making an additional demonstration based on the currently effective tariff, which will be replaced.

6. Although its compliance demonstration is based on the MRTU tariff, the CAISO proposes modifications to the existing CAISO tariff to reflect its current methodology for calculating ATC⁶ and to incorporate certain revised definitions adopted by the Commission in Order No. 890.⁷ The CAISO explains that these changes are necessary to the existing tariff because it believes the Commission's intent in Order No. 890 was for transmission providers to file their current ATC calculation methodologies to provide transparency regarding such calculations, without delay.

7. With regard to the MRTU tariff, the CAISO states that the provisions contained within the tariff are consistent with or superior to those provisions in the *pro forma* OATT adopted in Order No. 890. The CAISO explains that many of the revisions to the *pro forma* OATT are specific to a physical rights transmission service model under which a public utility provides network and firm and non-firm point-to-point transmission service. Rather than offering the two distinct traditional transmission services contemplated by the *pro forma* OATT, the CAISO offers a single "daily" transmission service that is available on a non-discriminatory basis to all eligible customers on a day-

⁶ The ATC methodology is set forth in a new Appendix L to the CAISO tariff.

⁷ These definitions include Good Utility Practice and Affiliate, consistent with Order No. 890.

to-day basis.⁸ Under the *pro forma* OATT, all users, on a first-come, first-served basis make long-term reservations of available transmission capacity. In contrast, with the exception of certain transactions scheduled pursuant to grandfathered agreements, all energy transmitted under the MRTU tariff, and under the existing CAISO tariff is treated as a “new firm use” and is scheduled on a day-to-day basis. Under the service model, there are no long-term reservations of physical transmission capacity. Rather, all users of the CAISO controlled grid must schedule their use each day and cannot reserve available transmission capacity beyond the day-ahead timeframe. This, according to the CAISO ensures optimal flexibility and nondiscriminatory use of available capacity.⁹

8. More specifically, the CAISO explains that under its transmission service model, scheduling coordinators submit bids (including self-schedules) for the supply or demand for energy to the CAISO. Scheduling coordinators have equal access to all available capacity every day and can make changes to their bids on an hourly basis. In contrast to traditional transmission services provided under the *pro forma* OATT, customers that take transmission service under MRTU need not formally designate network resources. The CAISO utilizes a bid-based, security constrained economic dispatch/redispach using the full capacity on the grid.

9. The CAISO contends that the specific reforms adopted in Order No. 890 are neither applicable to, nor compatible with, the CAISO’s service model under MRTU. For this reason, the CAISO argues that the Commission should not require it to adopt the following tariff revisions and OASIS posting requirements adopted by the Commission because they relate to point-to-point and network transmission services including: (1) elimination of the price cap on reassigned capacity; (2) unreserved-use penalties for customers that have a transmission service reservation but use transmission service in excess of their reserved capacity; (3) new requirements regarding the processing of transmission service requests and transmission service request priorities;¹⁰ (4) new

⁸ Under the MRTU tariff, there is no offer of traditional Order No. 888 network and point-to-point transmission services, there are no firm, long-term transmission reservations of capacity, and there is no formal application process for transmission service.

⁹ Under this service model, there are no long-term transmission reservations of capacity or rollover rights.

¹⁰ For example, the CAISO explains that provisions of the *pro forma* OATT which require the transmission provider to process transmission service requests in a timely manner, respond to transmission customer requests for transmission capacity availability, establish deadlines for completion of system impact studies and facilities studies, and include tariff language describing how it will process a request to cluster studies, are not applicable to the CAISO’s transmission service model.

requirements regarding the qualification of resources as network resources and the provision of secondary network service; (5) OASIS posting requirements regarding denials of service, the designation of network resources and the posting of system impact studies, facilities studies and studies performed for the transmission provider's own network resources; and (6) requirements to provide conditional point-to-point transmission service and planning redispatch service with respect to point-to-point transmission service. As highlighted above, all scheduling coordinators are equally eligible to submit daily transmission schedules which are processed on a non-discriminatory basis. Additionally, the CAISO states that the revised right-of-first refusal provision also does not apply because the Commission previously found that the nature of the CAISO's transmission service is not compatible with a right of first refusal.¹¹

10. The CAISO states that it complies with the requirement that transmission providers post on their websites all rules, standards or business practices that relate to the terms and conditions of transmission service.¹² In addition, the CAISO states that its creditworthiness requirements under section 12 of its existing tariff satisfy each of the Commission's directives in Order No. 890 regarding the inclusion of credit procedures in the transmission provider's tariff.¹³

11. Finally, the CAISO requests that the Commission grant the CAISO partial waiver of the Order No. 890 requirement that transmission providers post load data (i.e., load forecasts and daily peak load) for load-serving entities (LSEs) or control areas in their footprint. Instead, the CAISO requests permission from the Commission to post this load

¹¹ The CAISO indicates that, at the formation of the CAISO, the Commission explicitly approved the absence of the right of first refusal provision from the CAISO's tariff. See *Pacific Gas & Electric Co., et al.*, 81 FERC ¶ 61,122, at 61,472 (1997); see also *Sacramento Municipal Utility District v. Pacific Gas & Electric Co., et al.*, 105 FERC ¶ 61,358 (2003), *order on reh'g*, 107 FERC ¶ 61,237 (2004), *aff'd, sub nom. Sacramento Municipal Utility District v. FERC*, 428 F.3d 294 (D.C. Cir. 2005) (reaffirming the absence of a right of first refusal provision from the CAISO tariff).

¹² In accordance with the Commission's direction in its orders on the MRTU tariff, the CAISO has developed Business Practice Manuals containing all rules, standards or business practices that relate to the terms and conditions of transmission service.

¹³ See CAISO October 11, 2007 Filing at 41 (*citing Cal. Indep. Sys. Operator Corp.*, 115 FERC ¶ 61,170 (2006); *Cal. Indep. Sys. Operator Corp.*, Compliance Filing and Status Report, Docket No ER06-700-003 (July 11, 2006); *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,053 (2007); *Cal. Indep. Sys. Operator Corp.*, Compliance Filing, Docket No. ER06-700-004 (May 31, 2007); *Cal. Indep. Sys. Operator Corp.*, 120 FERC ¶ 61,147 (2007)).

data for the three former investor-owned utility (IOU) regions that now comprise the CAISO control area.

12. The CAISO adds that, insofar as the Commission is not intending to upset the market designs employed by existing ISOs and RTOs,¹⁴ the Commission should (1) accept the instant compliance filing; (2) find that the CAISO is in compliance with the requirements of Order No. 890; and (3) not require the CAISO to make further modifications, beyond those proposed by the CAISO in the instant compliance filing, to the existing CAISO tariff or the MRTU tariff in order to comply with Order No. 890.

III. Notice of Filing and Responsive Pleadings

13. Notice of the CAISO's filing was published in the *Federal Register*, 72 Fed. Reg. 60,011 (2007), with interventions and protests due on or before November 11, 2007. Timely motions to intervene were filed by the Transmission Agency of Northern California (TANC); the Metropolitan Water District of Southern California (Metropolitan); the City of Santa Clara, California, doing business as Silicon Valley Power, and the M-S-R Public Power Agency (collectively, SVP/M-S-R); the Sacramento Municipal Utility District (SMUD); the Northern California Power Agency (NCPA); the Modesto Irrigation District (Modesto); and the California Electricity Oversight Board (CEOB).

14. The California Department of Water Resources State Water Project (SWP) filed a timely motion to intervene and comments. Timely motions to intervene and protests were filed by Powerex Corp. (Powerex) and Beacon Power Corporation (Beacon Power). On November 16, 2007 the CAISO filed its answer. Answers were also filed by Beacon Power and SWP. The CAISO filed its supplemental answer on December 19, 2007. On January 18, 2008, Beacon Power filed a supplemental answer.

IV. Discussion

A. Procedural Matters

15. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,¹⁵ the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

¹⁴ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 158.

¹⁵ 18 C.F.R. § 385.214 (2007).

16. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure,¹⁶ prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept the answers of the CAISO, Beacon Power and SWP because they have provided information that assisted us in our decision-making process. We were not persuaded to accept the supplemental answers of the CAISO and Beacon Power and will, therefore, reject them.

B. CAISO's Filing

17. As discussed below, we accept the CAISO's compliance filing, as modified, to be effective October 11, 2007. We also direct the CAISO to file, within 30 days from the date of issuance of this order, a further compliance filing as required below.

18. Specifically, we accept the CAISO's proposed changes to the existing CAISO tariff, as modified below, to be effective October 11, 2007. In addition, we accept the CAISO's compliance filing as it relates to the MRTU tariff, as modified, to become effective as of the date of MRTU implementation. Finally, the Commission accepts as in compliance with Order No. 890 all those provisions submitted by the CAISO in its compliance filing that are not specifically discussed below.

1. Generator and Energy Imbalance Charges Under MRTU

19. In Order No. 890, to enhance consistency among transmission providers in the application of imbalance charges and to ensure that the level of the charges provides appropriate incentive to keep schedules accurate without being excessive, the Commission adopted a three-tiered approach to imbalance penalties with graduated deviation bands.¹⁷ In its compliance filing, the CAISO explains that the specific provisions of Order No. 890 regarding charges for energy and generator imbalances are not compatible with its LMP-based energy market because energy and generator imbalances are resolved through market mechanisms.¹⁸ The CAISO states that under its Commission approved LMP-based congestion management process under MRTU, its energy imbalance market and pricing structure satisfies the three imbalance charge

¹⁶ 18 C.F.R. § 385.213 (a)(2) (2007).

¹⁷ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 663.

¹⁸ CAISO October 11, 2007 Filing at 18.

principles adopted in Order No 890 and is therefore consistent with or superior to the specific energy and generator imbalance penalty structure adopted in Order No. 890.¹⁹

20. Powerex states that the CAISO has opted not to implement the tiered energy and generator imbalance charges of the *pro forma* OATT because it believes that certain MRTU market rules suffice to achieve the same purpose. Powerex objects to the CAISO's proposal, stating that the imbalance provisions of the *pro forma* OATT are designed to provide incentives for parties to perform consistent with their schedules. Powerex argues that the CAISO's underscheduling mechanism is intended only to address the potential for load serving entities to depress the day-ahead market prices by underscheduling in the day-ahead market, and does not address generator or energy imbalances caused by deviations in a supplier's performance. Powerex contends that the CAISO fails to show that its imbalance settlement rules, while serving to price imbalance energy, discourage inaccurate scheduling. As such, Powerex states that the CAISO's proposal does not comply with the second principle set forth in Order No. 890, which requires transmission providers to provide accurate scheduling. Powerex argues that the CAISO should implement the uninstructed deviation penalty (UDP) upon implementation of MRTU.²⁰

21. Powerex supports the use of the CAISO's UDP as the mechanism to encourage consistent scheduling and accurate performance by generators. According to Powerex, the UDP would provide scheduling coordinators with the appropriate incentives to prevent deviations from generation and intertie schedules and to comply with energy dispatch instructions. Powerex argues that since a UDP cannot be used by the CAISO

¹⁹ Specifically, imbalances of less than or equal to 1.5 percent of the scheduled energy will be netted on a monthly basis and settled financially at 100 percent of incremental or decremental cost at the end of each month. Imbalances between 1.5 and 7.5 percent of the scheduled amounts will be settled financially at 90 percent of the transmission provider's system decremental cost for overscheduling imbalances that require the transmission provider to decrease generation or 110 percent of the incremental cost for underscheduling imbalances that require increased generation in the control area. Imbalances greater than 7.5 percent of the schedule amounts will be settled at 75 percent of the system decremental cost for overscheduling imbalances or 125 percent of the incremental cost for underscheduling imbalances. Intermittent resources are exempt from the third tier deviation band. Order No. 890 at P 664-665.

²⁰ Included in section 11.23 of the MRTU tariff is a UDP provision whereby the CAISO will assess penalties for uninstructed imbalance energy outside an established tolerance band in each 10-minute settlement interval. This provision is suspended until such time as the CAISO separately files under section 205 of the FPA to implement the provision.

until after further regulatory proceedings, it merely gives notice of possible future rule changes, and has no effect as a deterrent to potential supply deviations.

22. The CAISO states that it is not required under Order No. 890 to implement the UDP. According to the CAISO, energy and generator imbalance services are intended to manage the variability in schedule versus actual delivery of energy over a single hour,²¹ promote good scheduling practices and permit differences between schedule and actual quantities to be made up within 30 days. According to the CAISO, the purpose of the UDP is different, to discourage generators from deviating from dispatch instructions issued by the CASIO, because such deviations may threaten system reliability and/or allow market participants to exercise market power. Thus, the CAISO contends, a UDP is a penalty, not a “service”, and is different from the energy and generator imbalance services contemplated in Order No. 890.

Commission Determination

23. We disagree with Powerex’s argument that, in order to comply with the reforms of the generator and energy imbalance provisions of Order No. 890, the CAISO should implement a UDP upon implementation of MRTU. First, we note that the UDP is intended to address a different situation than the imbalance services contemplated by Order No. 890. As the Commission has previously explained, “it is reasonable for the CAISO to have the ability to implement the UDP provision in order to discourage uninstructed deviations during *adverse market conditions*,” (emphasis added).²² The UDP is intended to address deviations from dispatch instructions in real-time. Energy and generator imbalance services, as noted by the CAISO, are intended to manage hourly differences in the amount of energy that is scheduled in the day-ahead market versus the amount of energy that is actually delivered in real-time.

24. Second, the settlement structure for imbalance energy under MRTU obviates the need for separate imbalance energy charges that are based on incremental and decremental costs and include a tiered approach to assessing imbalance penalties. Under

²¹ CAISO November 16, 2007 Answer at 5 (citing Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 627, 631).

²² The Commission previously accepted the UDP in 2002 in light of concerns regarding the adequacy of generation supply for California and the West as a means to prevent deviations from schedules or ignoring CAISO dispatch instructions. *See Cal. Indep. Sys. Operator Corp.*, 100 FERC ¶ 61,060 (2002). However, in 2004, the UDP was voluntarily suspended which served as an indicator that concerns regarding the adequacy of generation supply existing in 2002, when the UDP was first approved by the Commission, had subsided. September 2006 MRTU Order at P 593.

MRTU, imbalance service is provided and priced through the implementation of a real-time energy market. Under normal operating conditions, the real-time energy market coupled with the financially binding day-ahead market provides suppliers with sufficient economic incentives to perform in accordance with their day-ahead schedule and in accordance with real-time dispatch instructions from the CAISO. We also note that the Commission previously denied Powerex's request to direct the CAISO to implement UDP upon implementation of MRTU.²³ In the instant proceeding, we find that Powerex has failed to identify any new issues relating to the CAISO's compliance with Order No. 890 that would warrant changing our prior determination.

25. The CAISO sufficiently describes the market mechanism for imbalance energy settlement under MRTU which obviates the need to develop separate imbalance energy charges based on incremental and decremental costs.²⁴ We find the market mechanism is consistent with or superior to the tiered approach for imbalances adopted in the *pro forma* OATT.

2. Non-Generator Participation in Ancillary Services Markets Under MRTU

26. Beacon Power argues that the CAISO has refused to modify its MRTU tariff to allow non-generating resources such as Beacon Power to provide regulation services. Specifically, Beacon Power states that the CAISO's tariff restricts providers of regulation services to generating units,²⁵ and as result, Beacon Power's energy storage technology²⁶

²³ See *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,076, at P 311, 313 (2007).

²⁴ Under MRTU tariff section 11.5, the CAISO provides a real-time settlement structure where parties settle through LMP-based real-time market, any positive or negative deviations from their day-ahead schedules. Specifically, imbalance energy is separated between instructed imbalance energy and uninstructed imbalance energy to distinguish between deviations from the day-ahead schedule resulting from dispatch instructions issued by the CAISO and deviations that occur due to actions taken by the load or generation resource that do not reflect CAISO issued dispatch instruction.

²⁵ A generating unit is defined as: An individual electric generator and its associated plant and apparatus whose electrical output is capable of being separately identified and metered or a Physical Scheduling Plant that, in either case, is: (a) located within the CAISO Control Area; (b) connected to the CAISO Controlled Grid, either directly or via interconnected transmission, or distribution facilities; and (c) that is capable of producing and delivering net Energy (Energy in excess of a generating station's internal power requirements). See MRTU tariff, Appendix A, Master Definitions Supplement.

does not qualify to provide regulation services. Beacon Power contends that, because the CAISO has failed to submit an OATT Schedule 3 that allows non-generating resources to provide regulation and frequency response service, the CAISO's tariff is discriminatory and should therefore be rejected.

27. In its answer, the CAISO states that in Order No. 890, the Commission modified the *pro forma* OATT to indicate that certain ancillary services, including regulation and frequency response, may be provided by generating units as well as other non-generating resources, such as demand response, where appropriate.²⁷ The CAISO adds that it agrees that this modification should be incorporated into the MRTU tariff. Therefore, the CAISO proposes to amend MRTU tariff section 8.1 (titled "Ancillary Services") to provide that bids for regulation, spinning reserve, non-spinning reserve, and voltage control services may be submitted by a scheduling coordinator for a non-generating resource that meets applicable ancillary service standards and technical requirements, and is certified by the CAISO to provide ancillary services.²⁸

28. In its answer, Beacon Power argues that the CAISO's proposal to modify MRTU tariff section 8.1 will not ensure compliance with the directives of Order No. 890. Instead, Beacon Power suggests that additional sections of MRTU tariff section 8 must be amended to allow non-generation resources to provide ancillary services under MRTU.

Commission Determination

29. Beacon Power and the CAISO agree that the Commission's directives addressing the participation of non-generation resources in ancillary services markets require the CAISO to modify its MRTU tariff. The CAISO, in its answer, proposed a modification to section 8.1 to allow bids for regulation, spinning reserve, non-spinning reserve, and

²⁶ Beacon Power has developed a new non generation flywheel-based energy storage technology to provide ancillary regulation services. Beacon Power's technology operates by using flywheels to recycle excess energy when generated power exceeds load and delivers it to the grid when load increases. Beacon Power's proposed 20 MW commercial regulation plant will be comprised of 200 high-speed, high-energy flywheels capable of providing 20 MWs of "up and down" regulation, equal to a 40 MW swing, and will be able to achieve full up or down power in less than four seconds.

²⁷ CAISO November 16, 2007 Answer 3 (citing Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 888).

²⁸ The CAISO notes that the MRTU tariff already permits participating loads to provide non-spinning reserve as well as participate in the CAISO's day-ahead and real-time markets.

voltage control services to be submitted by a scheduling coordinator for a non-generating resource that meets applicable ancillary service standards and technical requirements, and is certified by the CAISO to provide ancillary services. In response to the CAISO's proposal, Beacon Power identifies additional provisions under the MRTU tariff section 8 which require modification. We agree with Beacon Power that additional provisions under section 8 of the MRTU tariff may need modification. Therefore, we direct the CAISO to address those modifications to MRTU tariff section 8 that are necessary to permit participation by non-generators in the CAISO's ancillary services market, and to file tariff sheets reflecting these changes within 30 days from the date of issuance of this order.²⁹

3. Posting of TRTC Instructions on CAISO Website

30. Under MRTU, the CAISO will honor transmission rights for those parties with existing transmission contracts,³⁰ transmission ownership rights³¹ and converted rights,³² and will incorporate these rights into the operations of the day-ahead and real-time markets. In order for the CAISO to accurately reflect these transmission rights within its markets, the CAISO sought and received detailed operational instructions in the form of

²⁹ We note that on April 15, 2008, the CAISO submitted a filing to comply with the Commission's Order No. 890-A. In that filing, the CAISO proposes revisions to its MRTU section 8 addressing ancillary services. To the extent the CAISO believes its April 15, 2008 compliance filing sufficiently addresses our concerns expressed herein, the CAISO may demonstrate this in its compliance filing.

³⁰ Existing transmission contracts are existing transmission contracts that grant transmission service rights in existence on the CAISO Operations Date. These existing transmission contracts are encumbrances, established prior to the CAISO's operation, in the form of a CAISO Participating Transmission Owner's (PTO) contractual obligation to provide transmission service to another party using transmission facilities owned by that PTO that have been turned over to the CAISO's operational control.

³¹ Transmission ownership rights refer to existing contracts that establish joint ownership or direct ownership of transmission facilities that are within the CAISO control area but have not been turned over to the CAISO's operational control.

³² Converted rights refer to those contractual rights and transmission facilities that were turned over to the CAISO's operational control subsequent to the initial start-up of the CAISO.

transmission rights and transmission curtailment (TRTC) instructions.³³ The information was catalogued and submitted to the CAISO by the parties to the agreements.³⁴

31. SWP states that in order to ensure transparency in transmission availability, the CAISO should be required to post on its website TRTC instructions for existing transmission contracts and converted rights. In support of this request, SWP states that the provisions in the CAISO tariff addressing TRTC instructions for existing contracts and converted rights provide that TRTC instructions are intended to, “allow existing contractual rights to be exercised . . . in a way that . . . consistent with the terms of the Existing Contracts, makes as much transmission capacity not otherwise utilized by the holder of the transmission rights available to the ISO for allocation to market participants.”³⁵ In addition, SWP argues that the posting of TRTC instructions is consistent with the Commission’s determination regarding the posting of rules, standards or business practices that relate to the terms and conditions of transmission service.³⁶

32. The CAISO states that the Commission should reject SWP’s assertion that Order No. 890 requires it to post the TRTC instructions submitted by market participants. The CAISO explains that the TRTC instructions are a tool that the CAISO uses to obtain information from participating transmission owners that hold existing transmission contracts in order to model the use of such contracts in its operations of its nodal market design under MRTU.³⁷ The CAISO contends that, contrary to SWP’s assertion, the

³³ TRTC instructions are operational directives developed and submitted to the CAISO in order to accommodate existing rights in the CAISO markets. *See* MRTU tariff, Appendix A, Master Definition Supplement; *see also* CAISO tariff, Appendix BB, Part G, Third Replacement Vol. No. 2, Substitute Original Sheet No. 1302.

³⁴ *See Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,124, *order denying reh’g*, 121 FERC ¶ 61,120 (2007).

³⁵ SWP November 1, 2007 Comments, Docket No. OA08-12-000, at 2-3 (*citing* CAISO tariff, Appendix BB, section 16.1.1 and MRTU tariff section 16.1.1).

³⁶ SWP November 1, 2007 Comments, Docket No. OA08-12-000, at 3 (*citing* Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 1653).

³⁷ The CAISO explains that under MRTU, because it will operate a two-settlement nodal locational marginal price based on an energy market that uses Congestion Revenue Rights to assist in managing congestion associated with LMPs, the CAISO needed detailed instructions regarding existing transmission contract usage at the nodal level.

TRTC instructions are not required for the CAISO to determine existing transmission commitment quantities in its determination of ATC.³⁸

33. The CAISO states that the TRTC instructions are similar to the existing transmission contract operating instructions that it receives from PTOs today, and those instructions are not posted. According to the CAISO, Order No. 890 did not contemplate that system operators would be required to make public information that pertains to how a customer intends to use its contractual rights. Additionally, the CAISO contends that Order No. 890 did not require that such operating instruction templates would be necessary to calculate ATC, nor did it require that such templates be made public. Finally, the CAISO states that the Commission should not require the posting of TRTC instructions as they contain commercially sensitive information. The CAISO also argues that SWP fails to demonstrate how this tool developed for the purpose of implementing the nodal market is required for transparency of ATC calculations under Order No. 890.

Commission Determination

34. We deny SWP's request to require the CAISO to post TRTC instructions on its website. TRTC instructions are a tool used by the CAISO to obtain information necessary to reflect the actual transmission usage associated with existing transmission contracts and converted rights under MRTU.³⁹ This information will permit the CAISO to honor those existing transmission rights while efficiently operating the MRTU market, which includes a security constrained economic dispatch model. Under MRTU, the

³⁸ The CAISO states that it will make use of the known encumbrances, as listed in the transmission control agreement, and the CAISO will provide hourly notification of the applicable existing contract values used in its applicable ATC calculations.

³⁹ The data collection for TRTC instructions include, among other things (1) the identification of points of receipt and points of delivery, including physical sources and sinks; (2) for each physical source and sink, the maximum existing rights capacity (MW) that can be scheduled as an existing right under the existing contract; (3) instructions for timeframes for submission of self-schedules and schedule changes to the CAISO; and (4) identification of the scheduling coordinator permitted to submit self-schedules utilizing the sources and sinks. *See* CAISO tariff, Appendix BB, Part B, section 16.4.5; *see also* *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,124, *order denying reh'g*, 121 FERC ¶ 61,120 (2007) (approving the CAISO's data collection for TRTC instructions, and stating that the provision of such information is reasonable and not unduly burdensome, will allow the CAISO to incorporate the exact nature and use of existing transmission contracts, converted rights and TOR contracts into its market design, and is necessary for the CAISO to accurately reflect, in modeling its simultaneous feasibility test, the impact of these existing rights).

CAISO will optimize all available transmission capacity, including the unused transmission capacity associated with existing transmission contracts and converted rights, but will continue to honor schedule changes permitted by these contracts through redispatch. The TRTC instructions provide the CAISO with operational information necessary to utilize this additional capacity without compromising the scheduling rights of the existing transmission contract.

35. We disagree with SWP that requiring the CAISO to post TRTC instructions is consistent with the Commission intent in Order No. 890 for the following reasons. First, we find the data collected for the TRTC instructions reflect existing transmission rights under contracts that are public information and that the additional information requested by SWP stipulates how a customer actually uses its contractual rights. We agree with the CAISO that Order No. 890 in directing transmission providers to post rules, standards or business practices that relate to the terms and conditions of transmission service, does not require system operators to make public, information that pertains to how a customer intends to use contractual rights under particular contracts. Under MRTU, all unused existing transmission contract capacity will be optimized by the CAISO for the benefit of all market participants. As a result, this unused capacity will not be scheduled in a manner consistent with the reforms adopted by Order No. 890. Finally, TRTC instructions are not required in the determination of ATC, since this calculation reflects contractual amounts stipulated by transmission agreements.

4. Posting of Load Data

36. The CAISO, in its compliance filing, requests that the Commission grant the CAISO partial waiver of the Order No. 890 requirement that transmission providers post load data (i.e., load forecasts and daily peak load) for load-serving entities (LSEs) or control areas in their footprint. Instead, the CAISO requests permission from the Commission to post this load data for the three former investor-owned utility (IOU) regions that now comprise the CAISO control area.

37. The CAISO states that posting individual load data for each LSE in the CAISO's control area is unnecessary and would be unduly burdensome. Specifically, the CAISO argues that (1) the CAISO prepares its own forecast of system load that is based on a complex analysis with a significant number of variables, and as a result the CAISO does not add together load forecasts provided by individual LSEs in order to project system requirements; (2) it would be inefficient and counter-productive to require the CAISO to create individual LSE load forecasts for each of the approximately 40 LSEs in the CAISO control area; and (3) requiring the CAISO to prepare load forecasts for approximately 40 LSEs would increase costs and resource needs in order to implement the necessary software and modeling changes in order to forecast load by LSE.

38. The CAISO also states that posting load data for the three IOU regions is consistent with the objectives of Order No. 890 and will provide for more granularity than currently exists.

Commission Determination

39. In light of the explanation provided by the CAISO, we grant the requested waiver of the Order 890 requirement that ISO and RTOs post load data for the entire ISO/RTO footprint and for each LSE or control area footprint within the ISO/RTO. Because the CAISO prepares an independent forecast of load within its control area and because LSEs do not provide daily load forecasts to the CAISO, we agree that waiver of this requirement is warranted. We will therefore permit the CAISO to post load data based on the three former IOU regions that now comprise the CAISO control area.

5. Creditworthiness Provisions

40. Order No. 890 requires that transmission providers specify, in a new Attachment L to the *pro forma* OATT, the qualitative and quantitative criteria that transmission providers use to determine the level of secured and unsecured credit required of its customers.⁴⁰ Pursuant to the requirements of Order No. 890, each transmission provider's Attachment L must contain: (1) a summary of the procedure for determining the level of secured and unsecured credit; (2) a list of the acceptable types of collateral/security; (3) a procedure for providing customers with reasonable notice of changes in credit levels and collateral requirements; (4) a procedure for providing customers, upon request, a written explanation for any change in credit levels or collateral requirements; (5) a reasonable opportunity to contest determinations of credit levels or collateral requirements; and (6) a reasonable opportunity to post additional collateral, including curing any non-creditworthy determination.⁴¹ In addition, Order No. 890 permits transmission providers to supplement Attachment L with a credit guide or manual to be posted on a transmission provider's OASIS.⁴²

41. In its filing, the CAISO states that the provisions of section 12 of the current CAISO tariff, as modified by the CAISO in Docket No. ER06-700, satisfy the requirements set forth by the Commission in Order No. 890 with regard to the inclusion

⁴⁰ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 1656.

⁴¹ *Id.* at P 1657.

⁴² *Id.*

of credit procedures in a transmission provider's transmission OATT.⁴³ Moreover, the CAISO states that the CAISO tariff provisions satisfy the Commission's stated reasons for requiring transmission providers to include basic credit requirements in their OATTs.

42. With respect to the MRTU tariff the CAISO argues that, given that the CAISO's existing tariff already contains tariff provisions which satisfy the creditworthiness requirements of Order No. 890, and given that those provisions will also be included in the MRTU tariff, the Commission should not require the CAISO to create a new Attachment L containing such provisions, but instead permit these provisions to remain in their current location in the CAISO tariff. The CAISO further states that prior to the MRTU implementation date, the CAISO intends to conform the MRTU tariff to reflect the latest effective tariff language, including the provisions of MRTU tariff section 12. As such, the CAISO states, the provisions of the MRTU tariff will satisfy the creditworthiness directives in Order No. 890.

Commission Determination

43. We deny the CAISO's request to delay incorporating its creditworthiness provisions into the MRTU tariff until such time as MRTU is implemented. We note that the CAISO's Order No. 890 compliance demonstration in this proceeding is based on the MRTU tariff. While the CAISO has made a compliance demonstration pertaining to the creditworthiness requirements of Order No. 890 in section 12 of the CAISO's existing tariff, the CAISO has failed to demonstrate that the credit provisions in the context of the MRTU tariff comply with Order No. 890.⁴⁴

44. Accordingly, we direct the CAISO to incorporate into its MRTU tariff creditworthiness provisions, in compliance with the requirements of Order No. 890, and to file tariff sheets reflecting these revisions within 30 days from the date of issuance of this order.

⁴³ See CAISO October 11, 2007 Filing at 41 (citing *Cal. Indep. Sys. Operator Corp.*, 115 FERC ¶ 61,170 (2006); *Cal. Indep. Sys. Operator Corp.*, Compliance Filing and Status Report, Docket No ER06-700-003 (July 11, 2006); *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,053 (2007); *Cal. Indep. Sys. Operator Corp.*, Compliance Filing, Docket No. ER06-700-004 (May 31, 2007); *Cal. Indep. Sys. Operator Corp.*, 120 FERC ¶ 61,147 (2007)).

⁴⁴ See CAISO October 11, 2007 Filing at 41.

6. Procedures for Addressing Parallel Flows

45. The *pro forma* OATT adopted in Order No. 890 includes a blank Attachment J entitled “Procedures for Addressing Parallel Flows” that is to be “filed by the Transmission Provider.” The Commission, in the NERC Transmission Loading Relief Order,⁴⁵ amended the *pro forma* OATT to incorporate NERC’s Transmission Loading Relief (TLR) procedures. The Commission also required that every transmission-operating public utility adopting NERC’s TLR procedures file with the Commission a notice that its tariff shall be considered so modified to reflect the use of such procedures. The NERC Transmission Loading Relief Order addressed the NERC TLR procedures for public utilities in the Eastern Interconnection. Subsequently, in Order No. 693, the Commission approved as mandatory and enforceable the IRO-006-3 Reliability Coordination — Transmission Loading Relief Reliability Standard, which includes the NERC TLR procedures and, by reference, the equivalent Interconnection-wide congestion management methods used in the Western Electricity Coordinating Council (WECC) Unscheduled Flow Mitigation Plan) and Electric Reliability Council of Texas (ERCOT) (section 7 of the ERCOT Protocols) regions.⁴⁶ As a result, all transmission providers must complete Attachment J by incorporating either of the NERC TLR procedures, WSCC Unscheduled Flow Mitigation Plan, or ERCOT protocol, and must provide a link to the applicable procedures.

46. We note that the CAISO has not filed any procedures addressing the Attachment J requirements. The CAISO is therefore, directed to file, within 30 days from the date of issuance of this order, a further compliance filing with a completed Attachment as shown below:

The North American Electric Reliability Corporation’s (“NERC”) Qualified Path Unscheduled Flow Relief for the Western Electricity Coordinating Council (WECC), Reliability Standard WECC-IRO-STD-006-0 filed by NERC in Docket No. RR07-11-000 on March 26, 2007, and approved by the Commission on June 8, 2007, and any amendments thereto, are hereby incorporated and made part of this Tariff. See www.nerc.com for the

⁴⁵ *North American Electric Reliability Council*, 85 FERC ¶ 61,353, at 62,362 and Ordering Paragraph (B) (1998) (NERC Transmission Loading Relief Order).

⁴⁶ *See Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, 72 Fed. Reg., 16,416 (April 4, 2007), FERC Stats. & Regs. ¶ 31,242 at P 961-65, *order on reh’g*, Order No. 693-A, 120 FERC ¶ 61,053 (2007).

current version of the NERC's Qualified Path Unscheduled Flow Relief Procedures for WECC.

7. ATC Methodology

47. In Order No. 890, the Commission required a transmission provider to clearly identify which methodology it employs (e.g., contract path, network ATC, or network available flowgate capacity (AFC)). The transmission provider must also describe in detail the specific mathematical algorithms used to calculate firm and non-firm ATC (and AFC, if applicable) for its scheduling, operating and planning horizons.⁴⁷ Further, the actual mathematical algorithms must be posted on the transmission provider's website, with the link noted in the transmission provider's Attachment C.⁴⁸

48. In compliance with Order No. 890, the CAISO is submitting a new Appendix L (as a substitute for Attachment C as contemplated in Order No. 890) to its existing CAISO tariff which explains how the CAISO calculates ATC. The CAISO states that it is making these changes to its existing tariff because it believes that the Commission's intent in Order No 890 was for transmission providers to file their current ATC calculation methodologies in order to provide near-term transparency regarding such calculations. Further, because the CAISO will have to file revisions to its proposed Appendix L (i.e., Attachment C under Order No. 890) after North American Electric Reliability Corporation (NERC) and North American Energy Standards Board (NAESB) complete their processes to develop ATC standards, the CAISO states that it will reflect further modifications to its ATC calculation methodology under its MRTU tariff prior to MRTU implementation.

Commission Determination

49. We have reviewed the CAISO's Appendix L, Methodology to Assess Available Transfer Capability and find that the CAISO's Appendix L does not provide a description of the specific mathematical algorithms as required in Order No. 890, nor does it provide a link to the location on the CAISO's website containing the actual mathematical algorithms. Therefore, the CAISO's filing fails to comply with Order No. 890. Accordingly, we direct the CAISO to revise its Appendix L to provide a description of the specific mathematical algorithms used to calculate firm and non-firm ATC for its scheduling, operating and planning horizons, as well as to provide a link to the location on the CAISO's website containing the actual mathematical algorithms, as required by

⁴⁷ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at *pro forma* OATT, Att. C; see also *Id.* P 323.

⁴⁸ *Id.* P 325, 328.

Order No. 890. We direct the CAISO to file this proposed tariff revision within 30 days from the date of issuance of this order.

8. Detailed Explanation of the ATC Components

a. Total Transfer Capability

50. In Order No. 890, the Commission required a transmission provider to: (i) explain its definition of total transfer capability (TTC); (ii) explain its TTC calculation methodology for both the operating and planning horizons; (iii) list the databases used in its TTC assessments; and (iv) explain the assumptions used in its TTC assessments regarding the load levels, generation dispatch, and the modeling of both planned and contingency outages.⁴⁹

51. SWP states that the CAISO as a transmission provider is capable of determining a remedial action scheme's (RAS) value in supporting transmission capacity, much as the MW value of a physical transmission upgrade can be valued and credited to a transmission sponsor. SWP further states that consistent with Order No. 890's support of comparable treatment for demand-based resources, and the express support in the Energy Policy Act of 2005 for alternative transmission technologies including demand-based resources, as well as the Order No. 890 requirements for transparency, the values for each RAS and special protective system should be publicly posted. SWP states that it is unclear from the CAISO's filing whether such values will be made publicly available. Accordingly, SWP requests that the Commission order the CAISO to clarify that all values associated with contributions to available transfer capability from RAS and special protective systems will be published on the CAISO's website.

Commission Determination

52. We have reviewed CAISO's proposed Appendix L and find that the information provided addressing TTC complies with the requirements set forth in Order No. 890. We find SWP's request for posting of RAS and special protective system values associated with contribution to ATC as beyond the requirements that we established for Attachment C. The Commission's established objective for Attachment C is to reveal transmission provider's methods, types of input data and assumptions, and processes used to calculate the ATC, not to set requirements for posting of the certain values. The CAISO discloses in its "Limits for Contingency Limitations"⁵⁰ section how the operation of existing RAS or special protection systems will be taken into account, which is consistent with the

⁴⁹ *Id.* at *pro forma* OATT, Att. C.

⁵⁰ CAISO filing, Appendix L, Original Sheet No. 785H

Attachment C requirements for explanation of the assumptions related to contingency outages.

b. Existing Transmission Commitments

53. In Order No. 890, the Commission required a transmission provider to explain: (i) its definition of ETC; (ii) the calculation methodology used to determine the transmission capacity to be set aside for native load (including network load) and non-OATT customers (including, if applicable, an explanation of assumptions on the selection generators that are modeled in service) for both the operating and planning horizons; (iii) how point-to-point transmission service requests are incorporated; (iv) how rollover rights are accounted for; and (v) its processes for ensuring that non-firm capacity is released properly (e.g., when real-time schedules replace the associated transmission service requests in its real-time calculations).⁵¹

Commission Determination

54. We have reviewed the CAISO's filing and find that the CAISO's Appendix L does not provide an explanation of the CAISO's calculation methodology used to determine the transmission capacity set aside for native load and non-OATT customers. Therefore, the CAISO fails to comply with Order No. 890. Accordingly, we direct the CAISO to revise its Appendix L to provide an explanation of the CAISO's calculation methodology used to determine the transmission capacity set aside for native load and non-OATT customers, as required by Order No. 890. We direct the CAISO to file this proposed tariff revision within 30 days from the date of issuance of this order.

c. Transmission Reserve Margin

55. In Order No. 890, the Commission required a transmission provider to explain: (i) its definition of transmission reserve margin (TRM); (ii) its TRM calculation methodology (e.g., its assumption on load forecast errors, forecast errors in system topology or distribution factors and loop flow sources) for both the operating and planning horizons; (iii) the databases used in its TRM assessments; and (iv) the conditions under which the transmission provider uses TRM. If the transmission provider does not use TRM, it must so state.⁵²

⁵¹ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at *pro forma* OATT, Att. C.

⁵² *Id.* at *pro forma* OATT, Att. C.

Commission Determination

56. We have reviewed the CAISO's filing and find that the CAISO's revised Appendix L does not provide a detailed explanation of its TRM calculation methodology. The CAISO fails to provide the databases used to calculate TRM. Therefore, the CAISO fails to comply with Order No. 890. Accordingly, we direct the CAISO to revise its Attachment C to provide a detailed explanation of its TRM calculation methodology, and the databases used to calculate TRM, as required by Order No. 890. We direct the CAISO to file this proposed tariff revision within 30 days from the date of issuance of this order.

d. Capacity Benefit Margin

57. In Order No. 890, the Commission required a transmission provider to provide a specific and self-contained narrative description detailing its capacity benefit margin (CBM) practice for both the operating and planning horizons. The narrative must include: (i) the identification of the entity that performs the resource adequacy analysis for CBM determination; (ii) the methodology used to perform generation reliability assessments (e.g., probabilistic or deterministic); (iii) an explanation whether the assessment method reflects a specific regional practice; (iv) the assumptions used in determining this assessment; and (v) the basis for the selection of paths on which CBM is set aside.⁵³

58. Furthermore, the Commission required a transmission provider to explain its definition of CBM and to list the databases it uses in its CBM calculations.⁵⁴ Pursuant to Order No. 890, a transmission provider must also demonstrate that there is no double-counting of contingency outages when performing CBM, TTC and TRM calculations.⁵⁵

59. Finally, the Commission required a transmission provider to explain its procedures for allowing the use of CBM during emergencies. Specifically, Order No. 890 states that a transmission provider must explain what constitutes an emergency, identify those entities permitted to use CBM during emergencies, and describe the procedures which must be followed by the transmission provider's merchant function and other load-serving entities when they need to access CBM. In addition, Order No. 890 requires a

⁵³ *Id.*

⁵⁴ *Id.* at *pro forma* OATT, Att. C; *see also Id.* P 337.

⁵⁵ *Id.* at *pro forma* OATT, Att. C.

transmission provider to state if it is not that transmission provider's practice to set aside transfer capability for CBM.⁵⁶

Commission Determination

60. We have reviewed the CAISO's filing and find that the CAISO's Appendix L does not provide an adequate explanation of its CBM practice. The CAISO's Appendix L lacks information necessary to clarify who performs the resource adequacy assessment for CBM determination, the methodology used to perform generation reliability assessments and whether or not the assessment method reflects a specific regional practice, the assumptions used in this assessment and the basis for the selection of paths on which CBM is set aside. The CAISO presents neither a definition nor a detailed explanation of its calculation methodology for CBM, nor has it listed the databases it uses for its CBM calculation. In addition, the CAISO has failed to demonstrate that it is not double-counting contingency outages when performing its CBM determination.

61. The CAISO, in its compliance filing, does not present its procedures for allowing the use of CBM during emergencies. Specifically, the CAISO has failed to provide a clear definition of what constitutes as an emergency, a list of entities that are permitted to use CBM during emergencies, and has not provided the procedure that needs to be followed by load-serving entities when they need to access CBM. Therefore, CAISO fails to comply with Order No. 890. We direct CAISO to file, within 30 days from the date of issuance of this order, a further compliance filing that revises its Appendix L to provide an explanation of the items discussed above, as required in Order No. 890.

The Commission orders:

(A) The CAISO's compliance filing is hereby accepted, as modified, effective October 11, 2007, as discussed in the body of this order.

(B) The CAISO is hereby directed to submit a compliance filing, within 30 days from the date of issuance of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁵⁶ *Id.*