



September 15, 2022

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: California Independent System Operator Corporation  
Docket No. ER22-906-\_\_\_\_  
Quarterly Informational Report Regarding Transmission Service and  
Market Scheduling Priorities Stakeholder Process**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) hereby submits its quarterly report regarding the CAISO's Transmission Service and Market Scheduling Priorities stakeholder initiative as directed by the Commission's March 15, 2022 Order in the above-referenced docket.

Please contact the undersigned with any questions.

Respectfully submitted,

**By: /s/ Anthony Ivancovich**

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# California ISO

**Quarterly Informational Report (Docket No. ER22-906)  
Status of Transmission Service and Market Scheduling  
Priorities Stakeholder Process**

**September 15, 2022**

On March 15, 2022, the Federal Energy Regulatory Commission (Commission) issued an order<sup>1</sup> extending until June 1, 2024 the California Independent System Operator Corporation's (CAISO) tariff provisions regarding the scheduling priorities for wheeling through transactions. The Commission initially approved such tariff provisions on an interim basis -- until June 1, 2022 -- in an order issued on June 25, 2021 in Docket No. ER21-1790.<sup>2</sup> In its March 15, 2022 Order, the Commission also directed the CAISO to file quarterly informational reports to update the Commission on the CAISO's efforts toward developing long-term rules delineating rights for wheeling through transactions across the CAISO grid. The Commission stated that the CAISO must file the reports beginning three months after the March 15 Order and every three months thereafter until the CAISO files a long-term solution with the Commission. The Commission also stated that such reports should describe any long-term alternative solutions being considered in the stakeholder process, explain any potential impediments to implementing any particular solution, and provide an updated schedule for finalizing a proposal. This is the CAISO's second report to the Commission.

### **Transmission Service and Market Scheduling Priorities Stakeholder Process**

The CAISO began the *External Load Forward Scheduling Rights Process* initiative, which was subsequently renamed the *Transmission Service and Market Scheduling Priorities* initiative, by hosting a workshop with stakeholders on July 13, 2021. In the workshop, the CAISO explained that the initiative would (1) explore near-term enhancements implementable by the summer of 2022, and (2) build upon the policy discussion that resulted in the April 28 Tariff Amendment, in which the CAISO committed to undertake an initiative to develop a long-term durable framework for establishing priority scheduling rights in its markets.<sup>3</sup> From the outset, the CAISO envisioned the initiative would proceed in two phases: a first phase that would consider enhancements the CAISO could implement by the summer of 2022 and present to the CAISO Board for approval in early 2022; and a second phase in which the CAISO and stakeholders would consider a longer-term, holistic framework for establishing market scheduling priorities that the CAISO could present for CAISO Board approval and implement later.<sup>4</sup>

Regarding Phase 2 of the *Transmission Service and Market Scheduling Priorities* initiative, in the first quarterly report to the Commission the CAISO described the stakeholder engagement and process steps it had under taken ahead of publishing a straw proposal and provided an overview of the potential approaches it was considering. In this

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<sup>1</sup> *California Independent System Operator Corporation*, 178 FERC ¶61,182 (2022) (March 15 Order).

<sup>2</sup> *California Independent System Operator Corporation*, 175 FERC ¶61,245 (2021). This order approved a tariff amendment filed by the CAISO on April 28, 2021 (April 28 Tariff Amendment).

<sup>3</sup> See CAISO presentation, *External Load Forward Scheduling Rights Process Workshop*, at slide 6 (July 13, 2021), available at <http://www.aiso.com/InitiativeDocuments/ISOPresentation-ExternalLoadForwardSchedulingRightsProcessWorkshop-Jul13-2021.pdf>.

<sup>4</sup> *Id.* at slide 12.

second quarterly report, the CAISO provides a further update regarding the activities and stakeholder engagement in the initiative.

The CAISO published a straw proposal on July 29, 2022, in which it described a new, proposed process for establishing wheeling through scheduling priority across the CAISO system.<sup>5</sup> Under the proposed design, the CAISO would calculate Available Transfer Capability (ATC) across its interties that can be accessed in advance by entities seeking to establish a wheeling through priority equal to CAISO load. Entities seeking to wheel through the CAISO system without reserving remaining ATC in advance would continue to be able to wheel through the CAISO system, albeit with a lower scheduling priority akin to the priority currently afforded to low priority wheeling through transactions.

In the straw proposal, the CAISO proposed to calculate ATC on the interties in monthly increments across a thirteen-month horizon and in the daily horizon. This would allow entities seeking to wheel through the CAISO system the opportunity to access and reserve the ATC and establish wheeling through priority on a monthly and a daily basis. In calculating ATC, the CAISO would set aside transmission capacity for existing commitments and native load needs, including native load growth to ensure sufficient transmission capacity is set aside at the interties to serve native load needs reliably. In the proposal, the CAISO introduced different potential approaches for deriving the transmission capacity needed to serve native load needs across the time horizon, and the CAISO expects robust stakeholder input and discussion on this issue given its effect on remaining ATC.

The CAISO has proposed a process for accessing or reserving ATC based on a first-come-first-served approach, along with consideration of a “window” period and a competition framework when ATC is limited. The proposal introduces two criteria for accessing the limited ATC on the interties: (1) demonstration of an executed firm power supply contract to serve external load (or a contract contingent upon obtaining wheeling through priority across the CAISO system); and (2) pre-payment of the wheeling access charges based on the quantity and term of the wheeling through priority. Regarding the latter, the customer receiving a wheeling through priority would prepay for transmission based on duration of the underlying firm power supply contract and the applicable volumetric wheeling access charge rate, as opposed to paying only when the wheeling through transaction is scheduled. This approach follows the general Commission-approved framework the CAISO utilizes to allocate congestion revenue rights to external load serving entities.

Finally, the CAISO has proposed establishing a process where entities seeking a wheeling through (or wheel in or out) priority on a long-term basis, *i.e.*, more than one year, can be studied and potentially pursue transmission upgrades across the CAISO system to establish a scheduling priority equal to CAISO load. Under the proposed process, entities seeking long-term wheeling through scheduling priority would submit a request that would be studied in a cluster with other like requests and generator interconnection requests for

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<sup>5</sup> The Straw Proposal is available at <http://www.caiso.com/InitiativeDocuments/StrawProposal-TransmissionService-MarketSchedulingPrioritiesPhase2.pdf>.

deliverability. To the extent a transmission upgrade is needed to accommodate the request, the entity submitting the request would be able to fund the transmission upgrade and secure the scheduling priority.

As part of its stakeholder process, the CAISO held a stakeholder meeting on August 11, 2022, to review and discuss the proposal and answer stakeholder questions. Following the stakeholder meeting, in response to stakeholder requests the CAISO published additional data to inform stakeholders regarding potential approaches for deriving native load needs and support continued stakeholder dialogue on this very important initiative. Stakeholder comments are due on September 16, 2022. These comments will help inform the revised straw proposal, which is slated for late October.

### **Impediments the CAISO Faces**

The CAISO seeks to develop a balanced approach that will (1) provide opportunities for entities to secure wheeling through priorities in advance, (2) work effectively, seamlessly, and efficiently within the CAISO's existing, unique market and service framework, and (3) ensure reliable service to native load. The proposed design contains some challenging and complex components on which stakeholders may not be aligned. The CAISO continues to expect it will require several iterations of straw proposals to reach a common understanding and build consensus where possible. In particular, calculating ATC and the native load and transmission reserve margin components of ATC will require extensive data gathering and analysis and stakeholder evaluation and vetting. The CAISO and stakeholders will need to determine the appropriate underlying assumptions to calculate the transmission that should be set aside for native load needs. The CAISO and stakeholders also must vet the appropriate compensation structure and any other requirements for entities to obtain a wheeling through scheduling priority in advance. Stakeholder comments will help inform the design further.

The CAISO does not believe these are insurmountable challenges, and it seeks to develop a framework that can be implemented in advance of summer 2024. The CAISO recognizes the importance of having regulatory clarity on these matters far enough in advance of June 2024 so contracts can align with the rules that will be in effect for the summer of 2024. In that regard, the CAISO provides below its current schedule for the initiative. The CAISO still expects to make a tariff amendment filing no later than the third quarter of 2023.

**Current Schedule for Transmission Service and Market Scheduling Priorities Initiative**

<b>Date</b>	<b>Milestone</b>
7/29/2022	Straw proposal posted
8/11/2022	Stakeholder call
9/16/2022	Comments due
11/7/2022	Revised Straw Proposal posted
11/15/2022	Stakeholder call
12/2/2022	Comments due
1/10/2023	Draft Final Proposal posted
1/17/2023	Stakeholder call
1/31/2023	Comments due
2/23/2023	Final proposal posted
3/2/2023	Stakeholder call
March 2023	Present Proposal for approval

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the above-referenced proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, this 15th day of September, 2022.

*/s/ Jacqueline Meredith*

Jacqueline Meredith