

136 FERC ¶ 61,239
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

California Independent System Operator Corporation Docket No. ER11-4161-000

ORDER ON TARIFF REVISIONS

(Issued September 30, 2011)

1. On July 29, 2011, California Independent System Operator Corporation (CAISO) submitted revisions to its open access transmission tariff regarding dynamic transfers of energy and ancillary services into and out of its balancing authority area (BAA). In this order, we accept the proposed tariff revisions, to become effective November 1, 2011.

I. Background

2. A dynamic transfer is the transfer of energy or ancillary services from resources in one BAA into another BAA. The two basic categories of dynamic transfers are dynamic schedules and pseudo-ties. A dynamic transfer is considered a dynamic schedule when the resource supplying the energy or ancillary services remains under the control of the BAA where the resource is interconnected. A dynamic transfer is a pseudo-tie when the BAA into which the energy or ancillary services are delivered performs the BAA functions for the resource (i.e., supplying the energy or ancillary services) even though that resource is interconnected to another BAA's electric system.

3. CAISO states that its tariff currently includes provisions that permit dynamic scheduling of imports from certain resources but does not include provisions providing for the dynamic scheduling of exports or the use of pseudo-ties. CAISO has filed and received Commission acceptance of several pilot agreements in order to facilitate dynamic transfers using pseudo-ties.¹ Based on CAISO's experience with these

¹ See *Cal. Indep. Sys. Operator Corp.*, Docket No. ER06-58-001 (Mar. 1, 2006) (delegated letter order); *Cal. Indep. Sys. Operator Corp.*, Docket No. ER06-1470-000 (Oct. 23, 2006) (delegated letter order); *Cal. Indep. Sys. Operator Corp.*, Docket No. ER10-342-000 (Jan. 8, 2010) (delegated letter order).

individual pilot agreements and the successful operation of dynamically scheduled imports, CAISO determined that it can support the dynamic scheduling of exports and pseudo-ties. CAISO asserts that these revisions will benefit markets in California and throughout the western interconnection.²

II. Notice, Intervention, and Responsive Pleadings

4. Notice of CAISO's filing was published in the *Federal Register*, 76 Fed. Reg. 41,774 (2011), with interventions and comments due on or before August 19, 2011. Timely motions to intervene were filed by Arizona Public Service Company; California Department of Water Resources State Water Project (SWP); the City of Santa Clara, California and the M-S-R Public Power Agency; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; Modesto Irrigation District; NextEra Energy Resources, LLC; Northern California Power Agency; NRG Companies; Pacific Gas and Electric Company; Powerex Corp. (Powerex); Rice Solar Energy, LLC (Rice Solar); Sempra Generation; Southern California Edison Company; and the Transmission Agency of Northern California. SWP, Rice Solar, and Powerex submitted comments. CAISO filed an answer to Powerex's comments. Powerex filed an answer to CAISO's answer.

III. Discussion

A. Procedural Matters

5. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2011), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2011), prohibits an answer to a protest and/or answer unless otherwise ordered by the decisional authority. We are not persuaded to accept the answers filed by CAISO and Powerex and will, therefore, reject them.

B. CAISO Filing

6. CAISO states that the proposed tariff revisions expand upon and clarify existing tariff provisions governing the dynamic scheduling of imports into the CAISO BAA, facilitate the dynamic scheduling of energy exports out of the CAISO BAA, and allow generators inside and outside of the CAISO BAA to use pseudo-ties. CAISO proposes to treat dynamic schedules of imports and pseudo-ties into its BAA in a manner comparable to internal generating units that provide energy and ancillary services within its BAA. CAISO also proposes to treat dynamic schedules of exports and pseudo-ties out of its

² CAISO Filing at 3.

BAA in a manner comparable to its treatment of non-dynamic transfers of energy and ancillary services out of its BAA.³

7. CAISO contends that its proposal will enhance the ability of resources, particularly intermittent resources utilizing renewable energy sources, to participate in the western interconnection while achieving increased efficiency and maintaining reliability. CAISO asserts that, by expanding the ability of market participants to participate in its market through dynamic transfers, markets may become more competitive, thereby lowering the price of ancillary services and ultimately benefiting customers. CAISO also argues that the enhancement of existing dynamic transfer capability will remove barriers to meeting the requirements of California's renewable energy portfolio standards and will satisfy market participants' requests for these enhancements.⁴

8. CAISO states that the proposed revisions to implement the dynamic scheduling of exports are essentially the converse of the existing tariff provisions regarding dynamic scheduling of imports. Specifically, CAISO proposes to revise the dynamic scheduling agreement for scheduling coordinators, the dynamic scheduling host balancing authority agreement, and the dynamic scheduling protocol to include provisions for the dynamic scheduling of exports. CAISO also proposes to move the dynamic scheduling protocol from Appendix X to Appendix M, so that it is located immediately before the new pseudo-tie protocol that CAISO proposes to add as Appendix N.⁵

9. CAISO proposes to add new tariff provisions regarding pseudo-ties to the body of the tariff, to incorporate a new *pro forma* pseudo-tie participating generator agreement to Appendix B.16 of the tariff, and to add a new pseudo-tie protocol as Appendix N. CAISO notes that the provisions of the proposed pseudo-tie participating generator agreement and protocol are based on provisions that the Commission has accepted in CAISO's pilot pseudo-tie agreements.⁶

10. CAISO also proposes revisions to existing tariff provisions regarding market modeling, pricing, settlement, and intermittent resources in order to reflect the new provisions relating to dynamic schedules and pseudo-ties and proposed new tariff language permitting CAISO to impose a moratorium on new dynamic transfers if

³ *Id.* at 6-7.

⁴ *Id.* at 3-4.

⁵ *Id.* at 7.

⁶ *Id.* at 7.

necessary. Finally, CAISO proposes a number of conforming modifications and corrections throughout the tariff that relate to the new provisions.⁷

11. CAISO requests an effective date of November 1, 2011 for the tariff revisions. However, in order to facilitate an orderly transition to the new tariff provisions for existing resources and ensure that the functionality is available for all resources, CAISO requests that the Commission act on this filing by October 1, 2011.

Comments

12. Rice Solar supports CAISO's proposed revisions, particularly CAISO's proposal to add a new *pro forma* pseudo-tie participating generator agreement.⁸ SWP does not oppose the revisions but states that the reliability impacts of expanded dynamic transfers should be carefully monitored. SWP also contends that the allocation of costs arising from reliability problems associated with dynamic scheduling should be defined in advance and argues that any such costs should be borne by the dynamic system resources that cause them.⁹

13. Powerex states that it supports CAISO's efforts to accommodate dynamic scheduling and pseudo-ties into its BAA but claims that more clarity is needed regarding how CAISO determines the ancillary service requirements needed to reliably integrate dynamically scheduled non-dispatchable resources. Specifically, Powerex objects to section 1.5.4 of Appendix M, which states that CAISO plans to treat dynamically scheduled energy as a resource contingent firm import and to procure (or allow for the self-provision of) operating reserves for loads served by dynamic system resources as required by North American Electric Reliability Corporation (NERC) and Western Electricity Coordinating Council (WECC) reliability standards and any requirements of the Nuclear Regulatory Commission (NRC). Powerex argues that such treatment could increase costs for customers and/or result in the procurement of insufficient ancillary services.¹⁰

14. Powerex claims that it is problematic to treat dynamically scheduled non-dispatchable resources as resource contingent because WECC does not consider a reduction in these resources' output to be a qualifying contingency event. Powerex states that, therefore, if a non-qualifying contingency event occurs that reduces a dynamically

⁷ CAISO Filing at 24-31.

⁸ Rice Solar August 19, 2011 Comments at 3.

⁹ SWP August 19, 2011 Comments at 1-2.

¹⁰ Powerex August 19, 2011 Comments at 4.

scheduled non-dispatchable resource's output, the sink balancing authority cannot deploy contingency reserves to cover the shortfall. Powerex states that, because CAISO does not currently procure any additional ancillary services to support the dynamic schedule beyond the required contingency reserves, it may not have adequate balancing reserves to cover the energy shortfall resulting from the reduction in the resource's output. Powerex asserts that, in such an event, CAISO would be forced to either procure additional balancing reserves through the residual unit commitment (RUC) process or hope that there are sufficient resources available in the real-time dispatch to supply power to make up for a shortfall in intermittent resource output. Powerex contends that, in either case, CAISO's proposal to treat dynamically scheduled resources as resource contingent, instead of procuring additional balancing reserves, will lead to costs being inappropriately borne by CAISO load. Powerex claims that, as a result, CAISO customers would effectively be subsidizing the cost of integrating dynamic non-dispatchable imports. Powerex warns that covering a shortfall event from the non-dispatchable imports and any load imbalances could become a reliability problem if CAISO exhausts the market's resources.¹¹

15. For these reasons, Powerex recommends that CAISO treat dynamically scheduled non-dispatchable resources as interruptible energy for which CAISO will need to procure additional ancillary services in the day-ahead or hour-ahead market. By procuring additional resources in either market, Powerex contends that CAISO will appropriately pass the costs of these services to the importer rather than load, while maintaining reliability.¹²

Commission Determination

16. We find that the revisions proposed by CAISO are just and reasonable and, therefore, accept them, to become effective November 1, 2011. We agree with CAISO that expanding the opportunities for dynamic transfers will enhance the ability of resources, particularly intermittent resources, to participate in electricity markets throughout the western interconnection, which could lead to greater market efficiency and help load serving entities satisfy California's renewable energy portfolio standards.

17. We reject Powerex's recommendation that CAISO treat dynamically scheduled non-dispatchable resources as interruptible energy, as opposed to resource contingent, as specified in CAISO's existing dynamic scheduling protocol. We find that the issues raised by Powerex are not the subject of the tariff revisions proposed in this proceeding. CAISO's filing changes the location of the existing dynamic scheduling protocol from

¹¹ *Id.* at 8-10.

¹² *Id.* at 10.

Appendix X to Appendix M but do not alter the content of the provision at issue. The only revision to the language of section 1.5.4 of Appendix M (previously section 6.4 of Appendix X) is grammatical in nature and made for the sole purpose of clarifying that compliance with the NRC requirements is separate from compliance with the NERC and WECC requirements.¹³ CAISO's treatment of dynamically scheduled non-dispatchable energy as resource contingent firm imports is an existing market feature, previously accepted by the Commission.¹⁴ As such, the justness and reasonableness of this provision is beyond the scope of this proceeding. If Powerex believes that this provision has become unjust, unreasonable or unduly discriminatory, it may seek Commission review by filing a complaint pursuant to section 206 of the Federal Power Act.¹⁵

18. Regarding SWP's general concerns related to reliability impacts and cost allocation, we note that CAISO has committed to monitoring any operational issues that relate to dynamic transfers and, if a need arises, identifying appropriate responses.¹⁶ We also note that CAISO has identified a number of future enhancements for dynamic transfers that will require additional tariff revisions.¹⁷ As part of its ongoing effort to implement these future enhancements, we expect CAISO to monitor the reliability impacts of the instant dynamic transfer enhancements and to work with stakeholders to develop any further tariff refinements that may be necessary. However, SWP has not shown CAISO's proposed tariff revisions to be unjust or unreasonable, so we will not direct any modifications related to this issue at this time.

¹³ CAISO Filing at 31.

¹⁴ *See Cal. Indep. Sys. Operator Corp.*, Docket No. ER04-793-001 (Sept. 15, 2004) (delegated letter order) (accepting compliance filing that established the standards and protocols for dynamic scheduling).

¹⁵ 16 U.S.C. § 824e (2006).

¹⁶ CAISO states that this commitment was included in its dynamic transfers final proposal as part of the stakeholder process. CAISO Filing at 29.

¹⁷ *Id.* at 32-34.

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The Commission orders:

CAISO's filing is accepted, to become effective November 1, 2011, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Document Content(s)

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