

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System) Docket No. ER22-906-000
Operator Corporation)**

**MOTION FOR LEAVE TO FILE ANSWER AND ANSWER OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO COMMENTS AND LIMITED PROTEST**

The California Independent System Operator Corporation (CAISO)¹ answers the comments and limited protest filed in this proceeding² in response to the CAISO's January 27, 2022 tariff amendment filing (Tariff Amendment).³ The Tariff Amendment is widely supported. The comments and limited protest provide no basis for the Commission to modify or condition acceptance of the tariff revisions proposed in this proceeding. As explained below, the CAISO commits to submit informational reports to the Commission every six months regarding the status of ongoing stakeholder efforts to

¹ Capitalized terms not otherwise defined herein have the meanings set forth in appendix A to the CAISO tariff.

² The following entities filed motions to intervene in the proceeding: the Balancing Authority of Northern California; Brookfield Renewable Trading and Marketing LP; California Community Choice Association; Calpine Corporation; Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; City of Santa Clara, California; Department of Market Monitoring (DMM), acting in its capacity as the independent market monitor for the CAISO; Imperial Irrigation District; Modesto Irrigation District; Nevada Power Company and Sierra Pacific Power Company (collectively, NV Energy); Pacific Gas and Electric Company; Powerex Corp. (Powerex); Sacramento Municipal Utility District (SMUD); Salt River Project Agricultural Improvement and Power District; San Diego Gas & Electric Company; and Vistra Corp. and Dynegy Marketing and Trade, LLC. In addition, DMM, NV Energy, and Powerex filed comments. The California Public Utilities Commission (CPUC) filed a notice of intervention and limited protest.

³ The CAISO files this answer pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213. For the reasons explained below, the CAISO respectfully requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer the limited protest filed in the proceeding.

develop a longer-term framework for establishing wheeling through scheduling priority across the CAISO system. The CAISO respectfully requests the Commission issue an order by March 14, 2022, accepting the Tariff Amendment without condition or modification. This will (1) provide market participants certainty regarding the rules for wheeling through the CAISO system this summer and (2) give them sufficient time to make the necessary contractual arrangements for summer 2022 and register their Priority Wheeling Through transactions by the April 17, 2022 deadline for wheeling through transactions for the month of June.

I. BACKGROUND

The CAISO submitted the Tariff Amendment to implement Phase 1 of its stakeholder initiative on Transmission Service and Market Scheduling Priorities. The Tariff Amendment will: (1) maintain in effect for an additional two years – until June 1, 2024 – tariff provisions the Commission previously approved to be in effect until June 1, 2022 to establish wheeling through priorities in the day-ahead and real-time market optimization processes and allocate capacity between CAISO load and wheeling through transactions during stressed system conditions;⁴ and (2) revise tariff provisions the Commission approved on a permanent basis regarding the resources eligible to back high-priority non-recallable exports (*i.e.*, export self-schedules at scheduling points

⁴ See *Cal. Indep. Sys. Operator Corp.*, 175 FERC ¶ 61,245, at PP 140-63, 166-67, 177 (June 25 Order), *notice of denial of reh'gs by operation of law and providing for further consideration*, 176 FERC ¶ 62,093 (2021). The June 25 Order accepted, subject to a compliance filing, the tariff amendment the CAISO submitted on April 28, 2021 in Docket No. ER21-1790-000 (April 28 Tariff Amendment).

explicitly sourced by non-resource adequacy capacity).⁵ The CAISO also makes some clarifying and clean-up edits in the Tariff Amendment.

None of the parties submitting comments or a limited protest request the Commission reject any of these proposals in the Tariff Amendment. Instead, they uniformly support or do not oppose Commission acceptance of the proposals.⁶ The CAISO responds below to some DMM comments and the CPUC's limited protest regarding the sunset date of the wheeling through tariff provisions. For the reasons explained below, the Commission should accept the Tariff Amendment as filed.

II. MOTION FOR LEAVE TO FILE ANSWER

Pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure,⁷ the CAISO respectfully requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer the protests filed in the proceeding. Good cause for the waiver exists because this Answer will aid the Commission in understanding the issues in the proceeding, inform the Commission in the decision-making process, and help to ensure a complete and accurate record in the case.⁸

⁵ See June 25 Order at PP 43-47.

⁶ CPUC at 7, 9 (stating in relevant part "the CPUC urges the Commission to approve the extension of the Interim Rules" and "supports" the "non-interim reforms concerning the resources that are eligible to support high-priority non-recallable exports"); DMM at 2 ("DMM supports the current proposed tariff changes as an improvement from rules in place prior to summer 2021."); NV Energy at 5 ("NV Energy . . . request[s] that the Commission accept the CAISO's tariff amendment without change or condition."); Powerex at 4 ("Powerex does not object to an extension of the wheeling proposal through June 1, 2024"); SMUD at 7 ("SMUD respectfully requests that the Commission . . . accept CAISO's proposed tariff amendment by March 14, 2022, as filed by CAISO."); NV Energy at 3-5 ("NV Energy . . . requests that the Commission accept the CAISO's tariff amendment without change or condition").

⁷ 18 C.F.R. §§ 385.212, 385.213.

⁸ See, e.g., *Equitrans, L.P.*, 134 FERC ¶ 61,250 at P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023 at P 16 (2010); *Xcel Energy Servs., Inc.*, 124 FERC ¶ 61,011 at P 20 (2008).

III. ANSWER

A. Any Consideration of Further Changes to the CAISO's Export Rules Should Occur Through the CAISO's Stakeholder Process and be Prioritized through the Policy Initiative Roadmap Process

DMM supports the CAISO's proposed tariff revisions. DMM also notes that the CAISO tariff does not reserve the right to curtail high-priority exports before CAISO balancing authority area (BAA) load under emergency conditions when the generating resource supporting the export becomes physically unavailable during the hour. DMM suggests this may depart from the tariff authority of other transmission providers⁹ and expose the CAISO BAA to a degree of reliability risk not faced by other BAAs. DMM supports the CAISO's tariff revisions regarding exports but recommends the CAISO continue to work with other BAAs in the West to consider tariff revisions in the future that may better align CAISO's tariff authority with the authority of other BAAs.¹⁰

As the CAISO noted in its transmittal letter, changing the tariff to curtail high-priority export schedules mid-hour when the supporting resource becomes unavailable is beyond the scope of the changes the CAISO proposes herein and constitutes a "completely new and different approach."¹¹ Given the potential impact of such a tariff change, the CAISO would need to vet this matter thoroughly in a future stakeholder process, confirm the actual practices of the other western transmission providers,

⁹ DMM refers to the tariffs of some transmission providers as potentially permitting them to curtail export schedules when the resource supporting the export becomes unavailable mid-hour. DMM at 3, 7. The CAISO believes it is important to hear directly from these transmission providers regarding their actual treatment of export schedules for the remainder of the hour when the supporting resource goes on outage mid-hour.

¹⁰ *Id.* at 2-3, 6-10.

¹¹ Transmittal letter for Tariff Amendment at 29-31. *See also NRG Power Mktg., LLC & GenOn Energy Mgmt., LLC v. FERC*, 862 F.3d 108, 114-17 (D.C. Cir. 2017) (finding that Section 205 of the Federal Power Act (FPA) prohibits modifications to a public utility's proposed rate that reflect a "completely different strategy" than the proposed rate).

discuss the impacts of any such proposal, and possibly explore additional coordination/reciprocation measures with them. Based on discussions during workshops in the CAISO's prior Load, Exports, and Wheeling stakeholder process, the CAISO has reason to believe there are other western BAAs that do not curtail exports in real-time when the supporting resource goes on outage, but instead cover those outages with contingency reserves for the first hour.¹² This is comparable to the CAISO's existing practice whereby the CAISO will support the high-priority export for the remainder of the hour, but not for the next hour. As the CAISO indicated in its transmittal letter, the CAISO allocates the cost of contingency reserves both to load and exports.¹³ In its comments in this proceeding, SMUD strongly opposes DMM's curtailment proposal saying it will adversely affect reliability in neighboring BAAs and undermine the certainty and dependability of exports.¹⁴ Under these circumstances, the appropriate forum for considering any further changes to the CAISO's export rules would be a CAISO stakeholder process, which the CAISO establishes and prioritizes through its Policy Initiative Roadmap process.

B. The Commission Should Accept the Proposed Sunset Date Without Condition

The CPUC supports continued effectiveness of the tariff provisions establishing wheeling through priorities in the market optimization processes and allocating capacity between CAISO load and wheeling through transactions during stressed system

¹² Idaho Power, Export and Load Scheduling presentation at the CAISO workshop (Jan. 12, 2021), available at: <http://www.caiso.com/InitiativeDocuments/IdahoPowerPresentation-MarketEnhancements-Summer2021Readiness-Jan122021Workshop.pdf>.

¹³ Transmittal Letter for Tariff Amendment at 30.

¹⁴ SMUD at 5-7.

conditions. The CPUC does, however, oppose the sunseting of these provisions on June 1, 2024, as proposed by the CAISO.¹⁵

The Commission has previously rejected the CPUC's and other parties' requests to eliminate the CAISO's proposed sunset date for interim wheeling through scheduling priorities, finding the "CAISO has acknowledged the need to consider longer-term and/or more comprehensive solutions and we expect CAISO to continue to work with its stakeholders to do so."¹⁶ The Commission should reach the same conclusion here. The CAISO has justified extending the current wheeling priorities on an interim basis until June 1, 2024. The CAISO remains committed to working with stakeholders to develop longer-term and/or more comprehensive solutions and continues to make progress on these efforts. For example, the CAISO recently engaged a consultant to facilitate development of a longer-term scheduling priority framework in Phase 2 of the Transmission Service and Market Scheduling Priorities initiative.¹⁷ The CAISO has been conducting stakeholder working groups to solicit and consider stakeholder input on potential components for such a framework. The CAISO will post a straw proposal in spring 2022 to allow for a robust stakeholder process to consider the proposal and drive towards completing a design to be filed with the Commission in 2023.

The CPUC expresses concern the CAISO may be unable to implement a long-term framework by June 1, 2024 and, thus, might have to revert to the tariff provisions

¹⁵ CPUC at 2-3, 7-9.

¹⁶ June 25 Order, 175 FERC ¶ 61,245, at P 177; *see also Cal. Indep. Sys. Operator Corp.*, 155 FERC ¶ 61,224, at P 1 (2016) (accepting Aliso Canyon-related tariff revisions with an express sunset date, subject to the requirement the CAISO seek Commission authorization to extend their effectiveness).

¹⁷ *Cf* the Phase 1 Draft Final Proposal at 29 (explaining that the CAISO was actively seeking to engage a consultant to assist in these efforts).

regarding scheduling run priorities that would have gone into effect on June 1, 2022 but for the instant Tariff Amendment.¹⁸ The CAISO has explained in this Tariff Amendment and in the April 28 Tariff Amendment that the pre-existing tariff provisions do not provide reasonable assurance the CAISO can adequately protect native load during constrained conditions. Therefore, the CAISO does not envision reverting back to the pre-existing tariff language and potentially leaving native load exposed to unjust market schedule curtailments. If for some reason the CAISO is unable to implement a longer-term framework by June 1, 2024, the CAISO will either seek to extend the “interim” wheeling through tariff provisions beyond May 31, 2024 or seek to implement other enhanced interim measures effective after that date through a new tariff amendment filing.

The CPUC asks the Commission to direct the CAISO to file its long-term framework by a date certain.¹⁹ The CAISO respectfully submits that the requested relief is not within the Commission’s authority. The Commission cannot direct a public utility like the CAISO to submit a future filing under Section 205 of the FPA. “The courts have repeatedly held that FERC has no power to force public utilities to file particular rates unless it first finds the existing filed rates unlawful.”²⁰

The Commission does have the authority under Section 206 of the FPA to direct a public utility to modify its rates, terms, and conditions of service. But the CPUC has

¹⁸ These are the scheduling priority tariff provisions that were in effect prior to the interim tariff provisions the Commission approved in its June 25 Order (referred to hereinafter as the “pre-existing tariff provisions”).

¹⁹ CPUC at 8-9. The CPUC also suggests that the Commission could direct the CAISO to submit “compliance filings” at regular intervals.

²⁰ *Atl. City Elec. Co. v. FERC*, 295 F.3d 1, 10 (D.C. Cir. 2002).

neither filed a Section 206 complaint, nor justified converting this proceeding into a Section 206 proceeding.

The CAISO recognizes that a range of stakeholders have a keen interest in progress under Phase 2 of the Transmission Service and Market Scheduling Priorities initiative. As such, the CAISO commits to submit informational reports to the Commission every six months on the status of efforts to develop a durable long-term approach for entities to obtain a scheduling priority for wheeling through transactions. These informational reports will allow the Commission and interested stakeholders to remain up-to-date on these important efforts.

IV. CONCLUSION

For the foregoing reasons, the Commission should accept the tariff revisions contained in the Tariff Amendment, as clarified herein, without condition or modification.

/s/ Anthony Ivancovich

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Dated: February 25, 2022

CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceedings, 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 25th day of February, 2022.

/s/ Jacqueline Meredith

Jacqueline Meredith
An employee of the California ISO