

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

Puget Sound Energy, Inc.)

Docket No. ER16-923-000

**MOTION FOR LEAVE TO INTERVENE AND COMMENTS OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“CAISO”) respectfully files this motion to intervene and comments in the above-identified proceeding.¹ This proceeding concerns the February 10, 2016 submission by Puget Sound Energy, Inc. (“PSE”) of amendments to its Open Access Transmission Tariff (“OATT”) to implement its participation in the CAISO’s energy imbalance market starting in October 2016. The energy imbalance market is the vehicle by which balancing authority areas outside the CAISO’s balancing authority area participate in the CAISO’s real-time market. The energy imbalance market commenced on November 1, 2014 with PacifiCorp’s two balancing authority areas.²

¹ The CAISO makes this filing pursuant to Rules 212 and 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.214. The CAISO requests that the Commission grant its motion to intervene because the CAISO will be the market operator referenced in PSE’s filing in this proceeding. As such, the CAISO has a direct and substantial interest in the proceeding. Because no other party can adequately represent the CAISO’s interests in the proceeding, the CAISO’s intervention is in the public interest and should be granted.

² See *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231 (2014) (conditionally accepting tariff revisions to implement Energy Imbalance Market); *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,058 (2014) (order denying requests for rehearing, granting in part and denying in part requests for clarification, and conditionally accepting tariff revisions on compliance with regard to order listed above); Commission Letter Order, 149 FERC ¶ 61,005 (2014) (order granting CAISO request to extend effective date of Energy Imbalance Market tariff revisions from September 23, 2014, to October 24, 2014, for trading day November 1, 2014).

The OATT amendments that PSE proposes represent the successful culmination of an extensive effort to develop the necessary mechanisms and tariff amendments. This effort included broad stakeholder participation and extensive coordination with the CAISO, and the resulting amendments are consistent with the CAISO tariff provisions that implement the energy imbalance market. PSE's OATT amendments largely track amendments that other entities have made to their OATTs to facilitate their participation in the energy imbalance market, which the Commission has accepted as just and reasonable.³ Accordingly, the CAISO supports PSE's proposed OATT amendments and requests that the Commission accept them as filed effective as of the date requested.⁴

I. PSE's Stakeholder Process

As PSE explains, its OATT amendments are the product of a stakeholder process that spanned the course of several months.⁵ The process included stakeholder meetings, successive drafts of proposed OATT amendments, and opportunities for written stakeholder comments on the OATT amendments. The CAISO followed PSE's stakeholder process and engaged with PSE during each stage of the process, participating in its public meetings, reviewing PSE's proposals, and offering feedback. The CAISO believes that this stakeholder process was robust and that the resulting

³ See *PacifiCorp*, 147 FERC ¶ 61,227, *order denying reh'g and clarification and conditionally accepting compliance filing*, 149 FERC ¶ 61,057 (2014), *order denying reh'g*, 150 FERC ¶ 61,084 (2015); and *Nev. Power Co.*, 151 FERC ¶ 61,131, *reh'g denied*, 153 FERC ¶ 61,306 (2015).

⁴ The CAISO's support extends to PSE OATT provisions associated with a CAISO energy imbalance market implementation requirement, with or without EIM entity discretion, as being consistent with the CAISO tariff and the EIM Entity Agreement. The CAISO takes no position herein on matters solely between PSE and its customers.

⁵ See transmittal letter for PSE filing at p. 7-8.

amendments reflect the benefit of coordination and collaboration among all of the entities engaged in that process. Understandably, some stakeholders may have different views or preferences regarding the OATT amendments, but the CAISO believes that PSE has sufficiently addressed the concerns raised in the stakeholder process leading up to this filing, and that there is no reason to reject any of the OATT amendments.

II. Comments in Support of PSE's OATT Amendments

The CAISO supports PSE's proposed OATT amendments to implement its participation in the energy imbalance market. PSE has determined that the energy imbalance market will benefit its customers and made the decision to move forward accordingly. The proposed OATT amendments are a necessary step to implement that decision, a step the CAISO supports. The CAISO's comments generally focus on the consistency of the OATT amendments with the CAISO's energy imbalance market rules.

A. PSE's Proposed Amendments Provide for the Relationships Necessary to Implement the Energy Imbalance Market.

The energy imbalance market requires an enabling relationship between the CAISO as the market operator and PSE as the EIM entity. For this role, PSE must have OATT provisions in effect to enable operation of the CAISO's real-time market in its balancing authority area in accordance with the CAISO tariff.⁶ PSE's filing represents its proposal to fulfill that commitment.

⁶ See CAISO tariff, Appendix B.17 (setting forth EIM Entity Agreement that includes a requirement in section 2.2 to have in effect tariff provisions that enable operation of the real-time market in accordance with the CAISO tariff).

The energy imbalance market design also recognizes the continued obligations of PSE as a balancing authority, as well as its roles as a transmission service provider and the associated relationships with its transmission customers, who may or may not choose to bid their resources into the energy imbalance market. These relationships are in some cases accounted for by PSE under its OATT, as amended by its filing, and in others by reference to the CAISO tariff.⁷ For example, PSE will continue to provide imbalance energy services to loads and non-participating resources, but resources participating in the energy imbalance market will supply imbalance energy through the energy imbalance market and the CAISO will settle directly with those resources.⁸ The CAISO supports PSE's approach to these relationships and responsibilities in its proposed OATT amendments. This structure accords with the CAISO tariff, as well as the structure of other entities participating in the EIM, as approved by the Commission.

PSE's OATT amendments also appropriately provide for the elections that an EIM entity must make in accordance with the CAISO tariff. The CAISO tariff allows each EIM entity the opportunity to configure its administration of the energy imbalance market consistent with its customers' needs and the manner in which it operates its transmission system, including metering, load aggregation points, and load forecasting. The CAISO tariff imposes a number of obligations on the EIM entity to gather the information necessary to support the resource plans and base schedule requirements associated with the energy imbalance market. PSE's proposed OATT amendments

⁷ See PSE OATT, Attachment O (comprising most of the provisions necessary to implement the energy imbalance market).

⁸ See PSE OATT, Schedules 4 and 9 (proposing changes to the energy imbalance services provided to its transmission customers).

provide workable mechanisms, including those that allow PSE to aggregate critical information in a timely and orderly manner and to account for available balancing capacity.

The CAISO tariff also allows EIM Entities to determine the eligibility requirements for resources to participate in the energy imbalance market. PSE's OATT amendments include, for instance, a non-firm transmission service option. This ensures that any resource within PSE's balancing authority area will have the opportunity to participate if it maintains a transmission service agreement as a condition of participation.

With respect to resources external to PSE, PSE is proposing to require such resources to use a pseudo-tie arrangement in order to participate in the energy imbalance market as a PSE resource, rather than permitting economic bidding at its interties at the outset of its participation in the energy imbalance market. As PSE correctly notes, this approach is consistent with the approach adopted by NV Energy and PacifiCorp, and it is also consistent with the CAISO tariff.⁹ The CAISO supports PSE's request to defer further consideration of intertie bidding to the CAISO's stakeholder process for the reasons outlined by PSE – in particular, the fact that this issue involves broader market design considerations that the CAISO will in the future address through its policy development stakeholder process. The CAISO plans to clarify this condition its upcoming EIM Year 1 Enhancements Phase II tariff filing with the Commission.¹⁰

⁹ See transmittal letter for PSE filing at 20-21.

¹⁰ The CAISO tariff currently provides that EIM participating resources may submit economic bids at an intertie into the EIM area if the relevant EIM entity supports economic bidding over its interties, but does not require EIM entities to do so. See CAISO Tariff Section

PSE's proposed OATT amendments, in addition to addressing PSE's role as transmission service provider, make clear that PSE maintains certain operational responsibility as the balancing authority and transmission operator. As explained, the energy imbalance market does not modify, change, or otherwise alter the manner in which the CAISO and PSE manage their respective balancing authority areas or operate their transmission systems in accordance with the applicable reliability standards, tariffs, or contracts. Rather, the energy imbalance market accounts for such actions as manual dispatches of resources and scheduling curtailments associated with unscheduled flow and other mitigation procedures, but does not interfere with any EIM participant's obligation to comply with the balancing authority requirements imposed by the EIM entity. Rather, it represents a more efficient means to deliver imbalance energy services within and between each participating balancing authority area.

B. PSE's Proposed Amendments Account for the Transmission that Will Be Made Available in Real-Time.

Transmission service is essential for operation of the energy imbalance market and PSE, as a transmission service provider, has accounted for this under its proposed OATT amendments. As noted above, participating resources must meet PSE's transmission eligibility requirements set forth in Attachment O of its OATT. In addition, PSE has committed to provide the CAISO all the information associated with its transmission system, both in advance and in real-time, by providing its network model

29.34(i)(2). The CAISO has proposed to amend this tariff section in connection with the tariff stakeholder process to implement the Year 1 Enhancements Phase II consistent with the underlying policy. [<http://www.caiso.com/Documents/DraftTariffLanguage-EIMYear1EnhancementsPhase2.docx>] The amendment will be submitted to the Commission following completion of the tariff stakeholder process currently underway, and any associated market enhancements will be considered through a future stakeholder policy development process.

and outage information. This will allow the CAISO to accurately model the PSE transmission system and, in combination with the base schedules, to perform its market operator function, including congestion management based on the most economic resources available.

PSE sets the rates, terms, and conditions of transmission service for its transmission customers under its OATT, as does the CAISO for its transmission customers under its tariff. The energy imbalance market will involve real-time transfers between the CAISO and PSE balancing authority areas. Under its OATT amendments, PSE will not assess incremental transmission charges for transmission use related to the energy imbalance market. This approach is the same as that approved by the Commission relating to PacifiCorp and NV Energy's participation in the energy imbalance market.¹¹ As was approved by the Commission in tariff amendments proposed by PacifiCorp to add available transfer capability to the interchange rights holder mechanism originally proposed by PacifiCorp, PSE proposes to use both interchange rights and available transfer capability to support EIM transfers. The CAISO supports both the use of available transmission capability and interchange rights for EIM transfers between balancing authority areas included in the EIM area. PSE's OATT amendment appropriately reflects and implements the provisions of the CAISO's tariff that address such transfers.¹²

C. PSE's Proposed Amendments Facilitate Settlement of Energy Imbalance Market Charges Not Otherwise Directly Accounted for by the CAISO.

¹¹ See PacifiCorp OATT, Attachment T; and NV Energy OATT, Attachment P.

¹² See *generally* CAISO Tariff, section 29.17.

The energy imbalance market allows each EIM Entity to settle a variety of charge types allocated to it by the CAISO in accordance with the EIM Entity's tariff. This flexibility represents an important aspect of the energy imbalance market design, but requires the EIM Entity to modify its pre-existing settlement provisions with its transmission customers. PSE appropriately accounts for this settlement and the associated cost allocation in its proposed OATT amendments. In particular, the CAISO supports PSE's approach to defining each aspect of the energy imbalance market settlement that the CAISO does not directly settle.

D. PSE Appropriately Requests Authority to Take Corrective Actions Under Certain Limited Conditions.

The CAISO recognizes PSE's desire to include sufficient safeguards to mitigate what it sees as risks in joining the energy imbalance market. PSE and its customers have not previously participated in an organized market. Therefore, it is reasonable for PSE to propose to include in its tariff the ability to implement temporary corrective measures in the event that unintended or unforeseen consequences occur, as CAISO stakeholders similarly requested, and which the CAISO did when it implemented the energy imbalance market.¹³ These measures include the opportunity to prevent transfers or suspend the EIM Entity's participation in the energy imbalance market during a defined period following implementation in the event that PSE decides to formally terminate its participation in the energy imbalance market, or in the event that adverse operational consequences, including communication failures or serious design

¹³ See, e.g., CAISO Tariff Section 29.1(d) (permitting the CAISO to temporarily suspend the participation of an EIM entity in the real-time market due to market or operational issues adversely impacting the EIM area).

flaws, arise. The CAISO supports the PSE OATT amendments, which provide limited authority that parallels the CAISO's own tariff provisions. In addition, the CAISO tariff recognizes that EIM entities may adopt such measures in their OATTs.¹⁴ These measures, which PSE would only implement if all efforts to resolve market dysfunction fail, will protect PSE and other energy imbalance market customers from unintended consequences.

The CAISO will continue to coordinate with PSE throughout the implementation process. Both organizations have in place the necessary communications and procedures to ensure that they are able to identify, understand, and address any issues that arise. The CAISO anticipates that it and PSE will be able to use existing tools and procedures necessary to mitigate any market disruptions and restore normal operations as quickly as possible. Moreover, the CAISO and PSE will implement the available balancing capacity feature and follow the readiness requirements that were established pursuant to Commission directives in Docket No. EL15-53 and are now included in the CAISO tariff and business practice manual for the energy imbalance market.¹⁵

III. Description of the CAISO and Communications

The CAISO is a non-profit public benefit corporation organized under the laws of the State of California with its principal place of business at 250 Outcropping Way, Folsom, CA 95630. The CAISO is the balancing authority responsible for the reliable operation of the electric grid comprising the transmission systems of a number of utilities, administers the generator interconnection procedures applicable to those

¹⁴ See CAISO Tariff, Section 29.4(b)(5) (addressing corrective actions taken by EIM entities to address issues with EIM implementation).

¹⁵ See CAISO Tariff, Sections 29.2(b) and 29.30.

facilities, and is the market operator of the energy imbalance market. The CAISO requests that all communications and notices regarding this filing and these proceedings be provided to:

Anna M. McKenna
Assistant General Counsel
John C. Anders
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
janders@caiso.com
amckenna@caiso.com

IV. Conclusion

The CAISO requests that the Commission grant the CAISO's motion to intervene and accept these comments.

Respectfully submitted,

By: /s/John C. Anders

Roger E. Collanton
General Counsel
Anna M. McKenna
Assistant General Counsel
John C. Anders
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7287
Fax: (916) 608-7222

Counsel for the California Independent
System Operator Corporation

Dated: March 2, 2016

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the captioned 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, CA this 2nd day of March, 2016.

1st Anna Pascuzzo
Anna Pascuzzo