UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	))	**Docket No. ER23-2510-000**

MOTION FOR LEAVE TO FILE ANSWER AND ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO COMMENTS AND PROTESTS

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The California Independent System Operator Corporation (CAISO)[1] answers comments and protests filed in this proceeding[2] in response to the CAISO's July 28, 2023, tariff amendment (July 28 Filing).[3] In the July 28 Filing, the CAISO proposed to implement a durable framework for external load serving entities (LSEs) and suppliers

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

2 The following entities filed comments: Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, Tucson Electric Power Company, UNS Electric, Inc., and Arizona Electric Power Cooperative, Inc. (collectively, Arizona Utilities); CAISO Department of Market Monitoring (DMM); Pacific Gas and Electric Company (PG&E); San Diego Gas & Electric Company (SDG&E); and the California Public Utilities Commission (CPUC). The following entities filed protests: Western Power Trading Forum (WPTF); Electric Power Supply Association (EPSA); and NV Energy. Powerex Corp. (Powerex) filed comments and a protest. The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, Six Cities) filed a limited protest. In addition, the following entities only filed motions to intervene: Southern California Edison Company; Calpine Corporation; Imperial Irrigation District; Modesto Irrigation District Northern California Power Agency; Brookfield Renewable Trading and Marketing LP (BRTM); NRG Business Marketing LLC; Public Utilities Commission of Nevada; Energy North America (US) L.P.; California Department of Public Utilities State Water Project (CDWR); City of Santa Clara, California; Vistra Corp. and Dynegy Marketing and Trade, LLC.

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 protests filed in the proceeding.

serving them to obtain in advance, on a monthly and daily basis, Wheeling Through self-schedule priorities equal to the scheduling priority of CAISO demand, as well as related updates to the CAISO's calculation of Available Transfer Capability (ATC). The tariff revisions in this filing resulted from extensive discussion with stakeholders in Phase 2 of the CAISO's Transmission Service and Market Scheduling Priorities initiative and would replace the existing Wheeling Through Priority tariff provisions the Commission approved on an interim basis until June 1, 2024.[4] For the reasons explained in the July 28 Filing and this Answer, the Commission should accept the CAISO's tariff revisions without condition or modification.[5]

I. EXECUTIVE SUMMARY

The comments and protests in this proceeding highlight the extent to which the CAISO has obtained substantial stakeholder consensus on the contentious issue of wheeling through priorities on the CAISO system. Four parties -- NV Energy, Powerex, WPTF, and EPSA, protest the CAISO's filing. Six Cites submitted a limited protest in which it supports all other elements of the CAISO's filing except for two severable features. A few other parties submitted comments, most of which seek clarification regarding aspects of the CAISO's filing or seek targeted changes to individual features

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[4] *See Cal. Indep. Sys. Operator Corp.*, 175 FERC ¶ 61,245 (2021) (June 2021 Order), *order addressing arguments raised on reh'g, denying clarification, & dismissing reh'g request*, 178 FERC ¶ 61,180 (2022) (March 2022 Rehearing Order) (accepting interim Wheeling Through tariff provisions effective until June 1, 2022); *Cal. Indep. Sys. Operator Corp.*, 178 FERC ¶ 61,182 (2022) (March 2022 Extension Order) (accepting interim Wheeling Through tariff provisions, as modified, effective June 1, 2024).

[5] This Answer includes a handful of clarifications the CAISO provides in response to comments. None of the clarifications requires any changes to the tariff revisions proposed in the July 28 Filing.

of the CAISO's proposal. The CAISO notes the response to this tariff amendment filing is less contentious than the response to the CAISO's April 2021 tariff amendment filing in Docket No, ER21-1790 to implement the interim Wheeling Through measures where 20 parties protested the proposed such measures, including 16 external LSEs and entities representing them.[6] Only one external LSE protests this tariff amendment filing. This reflects the degree to which the CAISO went out of its way to submit a balanced proposal that helps meet the needs of all load serving entities in the West that have a legitimate need to utilize the CAISO system regularly to serve their load. This balance also is reflected by the fact that both external and internal LSEs (or their representatives) seek targeted changes to the CAISO's proposal that would favor them. This Answer shows how the CAISO's proposal already addresses their concerns or demonstrates why their arguments are unfounded.

Two parties – WPTF and EPSA – belatedly appear "out of nowhere" to protest the CAISO's filing. A review of the record in Phase 2 of the Transmission Service and Market Scheduling Priorities stakeholder initiative and tariff development process that lasted approximately 19 months (from the Phase 2 working groups on November 10, 2021 until June 30, 2023) shows neither WPTF nor EPSA submitted comments regarding the CAISO's Phase 2 Straw Proposal, Draft Final Proposal, Final Proposal, or draft tariff language during that time. Nor did WPTF or EPSA submit any comments to the CAISO Governing Board (Board) or the WEIM Governing Body regarding their purported issues with the CAISO's proposal. EPSA did not participate in any of the

[6] Notably, Powerex and NV Energy prefer the Commission to extend the interim Wheeling Through tariff provisions they protested in 2021 because those interim provisions place no limits on the quantity of Priority Wheeling Throughs and, unlike the tariff provisions of all other transmission providers, are not bounded by calculations of Available Transfer Capability (ATC).

Phase 2 stakeholder meetings; WPTF participated in one tariff call. Further, the CAISO has been filing with the Commission on a quarterly basis since June 2022 public informational reports detailing the status of its development of a more durable Wheeling Through framework. Those reports expressly stated the CAISO's intent to file a proposal in the third quarter of 2023, which the CAISO has done. Neither WPTF nor EPSA filed any comments with the Commission in response to those quarterly filing or submitted any comments to the CAISO to express their concerns. A review of their protests shows that WPTF's and EPSA's single-minded agenda appears to be to retain the interim Wheeling Though measures for another year. Parties have been on notice since the CAISO's April 2021 tariff filing that the existing Wheeling Through measures were interim, and they have been on notice since the CAISO's January 27, 2022 tariff filing that the interim measures would expire June 1, 2024. Parties have been on notice since June of 2022 that the CAISO would file to replace the interim Wheeling Through tariff provisions in the third quarter of 2023; yet WPTF and EPSA raised no objections during this entire time.

The CAISO recognizes that failure to participate actively in a stakeholder process does not preclude a party from intervening and commenting on a subsequent proposal filed with the Commission. However, having failed to participate actively in the extensive stakeholder process, EPSA and WPTF cannot justify a further stakeholder process or technical conference. Further, the Commission should not countenance WPTF's and EPSA's positons that are based solely on conclusory, unsupported statements and dislike of the CAISO's Commission-approved Resource Adequacy program, misunderstandings of the CAISO's proposal, and they constitute a thinly veiled attempt to retain the interim measures that are expiring pursuant to Commission orders.

The proposed framework minimizes seams between the *pro forma* Open Access Transmission Tariff (OATT) framework that is prevalent across the Western Interconnection and the CAISO's organized market by providing external LSEs and the suppliers serving them the opportunity to obtain a scheduling priority for monthly Wheeling Through transactions up to a year in advance and for daily Wheeling Through transactions up to seven days in advance. In particular, the proposed framework accords Priority Wheeling Through transactions a priority equal to CAISO demand and a priority higher than non-Priority Wheeling Through transactions. It effectively balances the CAISO's need to meet its native load obligations and the needs of external LSEs to obtain transmission service on the CAISO system with a high priority to serve their own native load obligations.

Claims the CAISO's proposed updates to its calculation of ATC improperly favor CAISO LSEs ignore long-standing Commission precedent confirming that external LSEs are differently situated from CAISO LSEs. As part of its updated calculation of ATC, the CAISO reserves capacity for native load in a manner comparable to other transmission providers in the West. The CAISO's proposal to reserve capacity for native load on a rolling basis 13 months in advance is consistent with the 13-month horizon other transmission providers in the Western Interconnection use to calculate ATC as well as North American Electric Reliability Corporation (NERC) reliability standards.

The CAISO also proposes to update its tariff provisions governing determination of Transmission Reliability Margin (TRM) to provide that the CAISO will establish TRM to address uncertainty and adjust it as needed in all applicable horizons, and include two NERC-approved components of uncertainty in addition to the three NERC-approved uncertainty components already contained in the CAISO's existing TRM tariff provisions. Some comments objecting to the CAISO's proposal either misunderstand or mischaracterize how the CAISO will calculate TRM. Some comments also allege the CAISO's ability to set aside capacity for native load (based on historical contract showings and then "trued-up for actual contract showings) and to include a TRM for permitted uncertainty may result in the double counting of capacity preserved for native load, but they offer no specifics how this can occur.

The CAISO's proposal is fully compatible with the Western Resource Adequacy Program (WRAP). Suggestions that Priority Wheeling Throughs might not constitute firm transmission that can support external LSEs' WRAP resource adequacy showings or that that the CAISO's ATC calculation timeline do not align with the WRAP resource showing deadlines are wholly unfounded. The CAISO's transmittal letter clearly and compelling demonstrated why Priority Wheeling Throughs, which have the same priority as transmission serving CAISO load, are comparable or superior to firm transmission service under the *pro forma* OATT. Protesters fail to address, let alone rebut that discussion. Instead, their objections appear to be that the CAISO tariff does not expressly label Priority Wheeling Through transactions as firm or NERC Priority 7F service, although the tariff refers to them as new firm use. As the Commission is well aware, the CAISO service model does not follow the OATT model and does not use the same terminology. Any concern that Priority Wheeling Through transactions are not firm transmission is belied by the fact protesters and numerous other scheduling coordinators have been e-tagging their Priority Wheeling Through transactions as

NERC Priority 7F firm transmission. To that end, the CAISO will document in the applicable business practice manual that anyone scheduling and e-tagging Priority Wheeling Through transactions treat them as NERC Priority 7F transactions.

Conclusory claims that the CAISO's ATC calculation deadlines do not align with the WRAP showing deadlines and thus will make it difficult for LSEs to procure supplies in time to support the WRAP showings are likewise misplaced. Under the WRAP tariff, financial penalties do not apply for deficient showings until 90 days before the start of the season for which the deadline applies. The CAISO's rolling monthly request window process that allows parties to obtain a Wheeling Through Priority 12 months in advance provides more than sufficient time for WRAP member to meet their forward showing obligations without penalties. Finally, these protesters ignore that parties can obtain a Wheeling Through Priority by showing a supply contract that is contingent on them receiving the priority. Thus, they do not have to wait until they receive the Wheeling Through Priority to secure their supply to satisfy the WRAP requirements.

The CPUC expresses concern that because of Priority Wheeling Through transactions Path 26 might become binding and excess capacity from resources in northern California might be unable to serve load in southern California. In developing its proposal, the CAISO assessed the ability of its internal system to accommodate Priority Wheeling Throughs and found it was robust enough. As indicated herein, the CAISO will assess the robustness of its internal transmission system before making its initial ATC calculations this fall and will do so an annually. As all transmission providers do, consistent with NERC reliability standards, Commission precedent, and approved tariff provisions, the CAISO will also consider outages and derates in calculating Total

Transmission Capability (TTC) and ATC, and will consider uncertainty in transmission system topology in setting TRM values. In any event, there are sufficient existing and planned resources in northern and southern California to serve load in each area even if Path 26 becomes constrained. The congestion on Path 26 on July 25, 2023 resulted from an atypical condition. There was ongoing transmission work that impacted the this Path with a derate of approximately 600 MW; this congestion was also exacerbated due to a modeling issue that resulted in inaccurate flow contributions, as much as 500 MW in some instances, on Path 26. These two factors resulted in more severe congestion on the Path. Importantly, however, these significant events did not trigger the post-HASP process, and the CAISO did not have to curtail Priority Wheeling Throughs or service to internal load.

In response to CPUC questions, the CAISO explains why the proposed removal from the post-Hour Ahead Scheduling Process (HASP) provisions of a bidding incentive based on 110 percent of the submitted day-ahead market self-schedule of the Priority Wheeling Through transaction is warranted. The addition to the calculation of native load of non-resource adequacy contracts, which do not have the bidding obligation associated with resource adequacy contracts, raised concerns that the bidding incentive could result in claims of undue discrimination and undue preference. In addition, several enhancements proposed in the July 28 Filing, and in the post-HASP process in particular, will better allow the CAISO to manage Priority Wheeling Through schedules at the interties. These changes lessen the need for any day-ahead bidding incentive for Priority Wheeling Throughs.

In response to SDG&E and Six Cities, the CAISO notes that allowing CAISO

LSEs to participate in the monthly request window process and use any awarded capacity to support Resource Adequacy Capacity is unwarranted at this time, constitutes an inappropriate use of the TRM, raises many unresolved issues, and conflicts with existing Resource Adequacy provisions of the CAISO tariff.

To address NV Energy's concerns, the CAISO explains why there is no reasonable basis to impose a notification requirement for historical California LSE contracts that terminate after ATC initially is set 13-months in advance. CAISO LSEs are not similarly situated to external LSEs in this regard. Further, NV Energy's suggestion is unnecessary and is at odds with the Resource Adequacy program in California under which CAISO LSEs do not show 100 percent of their Resource Adequacy contracts until the month-ahead timeframe, and the ultimate quantity set aside for native load is based on LSEs actual monthly contract showings 30 days before the month.

Powerex fails to explain why, in order to rule on the proposed tariff revisions, the Commission must have before it the tariff revisions the CAISO is developing in an ongoing stakeholder process for Wheeling Through Priorities for a term of a year or longer that commence after the 13-month horizon in which the CAISO calculates ATC. Such longer-term priorities are not available under the existing just and reasonable interim Wheeling Through provisions, and there is no need to include this feature as part of the durable replacement for those interim provisions. Further, the process for studying and granting requests for Wheeling Through Priorities of a term one-year or longer is completely different than the process for studying and granting requests for the Wheeling Through Priorities proposed herein and involves separate and different tariff provisions. Also, requests for monthly and daily Wheeling Through Priorities occur in different time horizons – monthly requests occur within a rolling 13-month horizon and daily requests occur within a rolling seven-day horizon, whereas long-term requests apply to time periods after the 13-month horizon in which the CAISO calculates ATC. A decision on the specific longer-term measures will not affect the justness and reasonableness of the proposed tariff revisions (and vice-versa); thus, the Commission is not precluded from approving the proposed tariff revisions. Some commenters requested clarification of certain aspects of the CAISO's proposal, in most cases seeking these clarifications for the first time in this process. In that regard, the CAISO clarifies its proposal as follows:

- In response to NV Energy, the reference to "transmission limitation" in revised tariff section 34.12.3 means physical transmission limitations

- In response to the CPUC, consistent with its commitments in the Final Proposal[7] and the Transmittal Letter for the July 28 Filing, the CAISO will assess the robustness of the internal transmission system to accommodate Wheeling Through Priorities this fall and annually

- In response to the CPUC, consistent with standard utility practices, NERC Reliability Standards ,and Commission rules, the CAISO will consider transmission outages, known at the time, in determining ATC and the TRM

- In response to several commenters, the CAISO expects entities scheduling Priority Wheeling Through will tag their transactions as NERC Priority 7F transmission. Also, the CAISO will continue to work with the Western Power Pool to ensure the energy markets and WRAP remain interoperable. As discussed further herein, Priority Wheeling Through transactions, are undeniably comparable or superior to firm transmission service under the *pro forma* OATT and can support resource adequacy showings under the Western Resource Adequacy Program (WRAP)

[7] *Transmission Service and Market Scheduling Priorities – Phase 2, Final Proposal* (Final Proposal), available at http://www.caiso.com/InitiativeDocuments/FinalProposal-TransmissionService-MarketSchedulingPrioritiesPhase2.pdf and included as Attachment E to the July 28 Filing.

- The CAISO clarifies implementation details how Transmission Ownership Rights (TORs) and Existing Transmission Contracts (ETCs) can support a Wheeling Through Priority

For the reasons explained in its July 28 Filing and herein, the CAISO's proposal is just and reasonable and not unduly discriminatory or preferential. The CAISO respectfully requests the Commission accept the proposed tariff revisions without modification and subject to the clarifications provided in this Answer.

II. MOTION FOR LEAVE TO FILE ANSWER

Pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure,[8] 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.[9]

III. ANSWER

A. No Additional Stakeholder Process Is Required to Develop a Framework for Obtaining Wheeling Through Priorities Beyond the Extensive Stakeholder Process that Resulted in the July 28 Filing

Two commenters who elected not to participate actively in the lengthy Phase 2 stakeholder process leading up to the CAISO's July 28 Filing now claim that the Commission should reject the CAISO's proposal without prejudice because they claim further stakeholder input is warranted. EPSA argues the Commission should reject the

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8 18 C.F.R. §§ 385.212, 385.213.

9 *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).

July 28 Filing and extend the existing interim Wheeling Through tariff provisions for a period of time, *e.g.*, until one year beyond June 1, 2024, while the CAISO and stakeholders develop an alternative durable framework for obtaining monthly and daily wheeling through self-schedule priorities.[10] WPTF argues the Commission should reject the July 28 Filing and convene a technical conference to develop a plan to replace the interim Wheeling Through tariff provisions at some indefinite point in the future.[11]

The Commission should reject these arguments. The July 28 Filing and this Answer provide a full basis for the Commission to find the CAISO's proposed tariff revisions are just and reasonable. Also, as explained in the July 28 Filing, the CAISO conducted an extensive stakeholder process to develop those tariff revisions. The Phase 2 stakeholder process began in late 2021. Over the next two years, the CAISO:

- Held a series of workshops with three stakeholder working groups, which included presentations by other transmission service providers in the Western Interconnection regarding their practices;

- Met with representatives of other independent system operators (ISOs) and regional transmission organizations (RTOs) to benchmark their practices against the proposals the CAISO and stakeholders were developing;

- Retained OATI, Inc. (OATI) as a consultant and worked closely with OATI to identify the different elements of a workable framework and develop proposals and tariff language;

- Issued a Straw Proposal and Draft Final Proposal, held stakeholder meetings to discuss both, and provided an opportunity for stakeholders to review and provide written comments;

- Issued a Final Proposal; and

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[10] EPSA at 2, 10-12.

[11] WPTF at 3, 12-13.

- Conducted a tariff stakeholder process to develop the tariff language necessary to implement the Final Proposal, which also included two stakeholder meetings to discuss the tariff language and opportunities for stakeholders to submit written comments.[12]

EPSA and WPTF had the same opportunity afforded any other stakeholder to submit comments that culminated in the submittal of the July 28 Filing, but they chose not to and now complain about the result.[13] EPSA provided no comments in either Phase 1 or Phase 2 of the stakeholder initiative. WPTF provided comments only in Phase 1 of the initiative, including January 2022 comments urging that the May 31, 2024, sunset date for the interim Wheeling Through provisions be included in the tariff thereby "requiring the CAISO and stakeholders to continually move this effort forward in a timely manner." There were multiple opportunities for stakeholder comments on the proposal and implementing tariff language in Phase 2 of this stakeholder initiative. WPTF provided no comments during any of these Phase 2 opportunities.

Further, the CAISO has been filing with the Commission on a quarterly basis since June 2022 public informational reports detailing the status of its development of a more durable Wheeling Through framework. Those reports expressly stated the CAISO's intent to file a proposal in the third quarter of 2023, which the CAISO has done. WPTF and EPSA have been on notice since the CAISO's April 2021 filing in Docket No. ER21-1790 that the existing Wheeling Through measures are interim only, and since the CAISO's January 2022 filing in Docket No. ER22-906 that the interim

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12 Transmittal letter for July 28 Filing at 21-28.

13 See the discussion in the CAISO's proposal papers and the written stakeholder comments available on the CAISO website page for Phase 2 of the Transmission Service and Market Scheduling Priorities initiative (https://stakeholdercenter.caiso.com/StakeholderInitiatives/Transmission-service-and-market-scheduling-priorities. That website page indicates WPTF only provided comments in Phase 1 of the initiative.

measures would expire June 1, 2024. They ignore the Commission's orders approving those two tariff filings on an interim basis and indicating the CAISO should develop and implement more durable measures.

EPSA and WPTF provide no basis for the Commission to require a further stakeholder process or technical conference, in addition to the extensive stakeholder process that has already taken place. The Commission has declined to require more stakeholder process or a technical conference in cases where the stakeholder process an independent system operator (ISO) or regional transmission organization (RTO) has already conducted was robust.[14] The Commission should do the same here, especially given its repeated urging to develop and file a durable replacement for the interim Wheeling Through tariff provisions to be in place by summer 2024. As the Commission directed in the March 2022 Extension Order:

> We accept CAISO's proposed Tariff revisions to extend the Interim Tariff Revisions through May 31, 2024. For the reasons discussed in the June 2021 Order, we find that extending the Interim Tariff Revisions is just and reasonable, and will provide certainty regarding the rules for wheeling through transactions, while CAISO and stakeholders develop a long-term solution that will clearly delineate rights across CAISO's transmission system for the reasons discussed in the June 2021 Order. However, we note that our June 2021 Order was premised in large part on CAISO's characterization of its approach as an interim one (*i.e.*, for two years). We

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14 *See, e.g.*, *Cal. Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,271, at P 338 (2008) (internal citation omitted) ("The Commission finds that the CAISO has taken adequate measures to ensure that stakeholders have had opportunity to discuss and contribute to the proposed revisions through a variety of forums. The CAISO identifies various meetings, proposals, letters, whitepapers, conference calls, presentations, throughout 2007 and 2008 concerning the issues contained in the IBAA [Integrated Balancing Authority Area] proposal. Accordingly, the Commission finds that these forums provided sufficient opportunity for stakeholder participation and therefore denies protestors' complaints concerning the need for additional stakeholder process."); *Midwest Indep. Transmission Sys. Operator, Inc.*, 117 FERC ¶ 61,325, at P 89 (2006) ("The Commission finds that Midwest ISO has taken adequate measures to ensure that stakeholders have had ample opportunities to discuss and contribute to the proposed revisions through a variety of forums. Accordingly, the Commission finds that these forums provided sufficient opportunity for stakeholder participation and therefore rejects protestors' requests to hold an additional stakeholder process or technical conference.").

> must remind CAISO here that we do not equate "interim" with "indefinite." But given the impact throughout the West of how CAISO allocates transmission capacity, as well as the importance of developing a durable solution, we urge CAISO and stakeholders to continue working expeditiously towards a long-term solution.[15]

The Commission also directed the CAISO to develop a solution that clearly delineates rights on the CAISO's transmission system which the CAISO has done by setting aside capacity for native load based on a clearly defined methodology and calculating ATC available for Priority Wheeling Throughs, as other transmission providers do.[16] Consistent with the Commission's directives, the Commission should accept the durable solution the CAISO and stakeholders spent approximately two years developing.

As noted above, both EPSA and WPTF argue that the Commission should extend the effectiveness of the interim Wheeling Through tariff provisions to allow for a further stakeholder process or a technical process. EPSA claims that the interim Tariff provisions do "not present the open access concerns that are contained in the instant filing."[17] However, those interim Wheeling Through tariff provisions, which EPSA and

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15 March 2022 Extension Order, 178 FERC ¶ 61,182, at P 29 (2022) (internal citations omitted). *See also* June 2021 Order, 175 FERC ¶ 61,245, at P 142 (2021) ("We agree with commenters, such as DMM, that recommend that CAISO develop a long-term solution that will clearly delineate rights across CAISO's transmission system"); *id.* at P 177 ("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."); March 2022 Rehearing Order, 178 FERC ¶ 61,182, at P 22 (2022) ("[W]e sustain the result in the June 2021 Order as a just and reasonable interim solution for allocating transmission capacity fairly among users when the system is constrained. Nevertheless, in light of the Interim Tariff Revisions' potential impacts on neighboring balancing authority areas and parties' ongoing concerns, we expect CAISO to work with stakeholders to design and file a just and reasonable and not unduly discretionary or preferential long-term solution as expeditiously as possible."); *id.* at P 68 ("While we find that the asserted financial and reliability impacts of the Interim Tariff Revisions do not render them unjust, unreasonable, and unduly discriminatory or preferential, parties on all sides of the dispute acknowledge that a different, long-term solution to accessing the CAISO transmission system is warranted. CAISO and its stakeholders developing a long-term solution is a high priority for the Commission, and we encourage all parties to work expeditiously through CAISO's ongoing stakeholder process in pursuit of that long-term reform.").

16 June 2021 Order, 175 FERC ¶ 61,245 at P 177.

17 EPSA at 10-11.

WPTF concede remain just and reasonable, contain many of the features that these commenters object to in the July 28 Filing.

For example, both EPSA and WPTF object to the requirement for a firm power supply contract as a condition for obtaining a Wheeling Through Priority under the July 28 Filing tariff revisions. Yet the same firm power supply contract requirement applies under the interim Wheeling Through tariff provisions they ask to remain in place. The Commission expressly found that firm power supply contract requirements under the interim provisions "are appropriate proxies for determining whether external load serving entities are relying on the CAISO grid in a manner comparable to how resource adequacy imports rely on the CAISO grid to serve internal CAISO load."[18]

EPSA and WPTF claim that the firm contracting requirement creates a "chicken and egg problem" because suppliers allegedly cannot obtain firm power supply contracts without already having a transmission priority on the CAISO's system.[19] This argument ignores the fact that numerous suppliers have registered Priority Wheeling Throughs in the past two years by satisfying the same firm power supply contract requirements applicable under the interim Wheeling Through Priority provisions. Indeed, most of the Priority Wheeling Throughs the past two years have been registered by suppliers, not by external LSEs. In other words, the lack of a Wheeling Through Priority in advance has not, in practice, prevented suppliers from obtaining firm power supply contracts. Moreover, the CAISO's July 28 Filing makes it clear that the firm power supply contract requirement can be satisfied by a contract contingent upon the

18 June 21 Order at 141.

19 EPSA at 6-7; WPTF at 9.

availability of a Wheeling Through Priority on the CAISO system.[20] The CAISO added this clarification in response to stakeholder input.

EPSA claims that a provision allowing external utilities to seek a Wheeling Through Priority based on their ownership of generation unduly favors non-CAISO load-serving entities (LSEs) over non-LSE power suppliers/customers.[21] Ownership of generation does not provide more of an opportunity to obtain Wheeling Through Priority under the CAISO's proposal than does the opportunity associated with a contractual right to generation, *i.e.*, a firm power supply contract. These two paths simply recognize and provide comparable Wheeling Through Priority opportunities based on rights to generation. To date, the overwhelming majority of Wheeling Through Priorities have been based on firm supply contracts (not ownership rights) and have been obtained by marketers and non-external LSEs. These entities will continue to have ample opportunities to obtain Wheeling Through Priority under the CAISO's proposal.

EPSA and WPTF also argue that the Commission should reject the CAISO's durable Wheeling Though Priority proposal because it is not compatible with the Western Resource Adequacy Program (WRAP).[22] As explained in more detail in section III.F of this Answer, the CAISO's proposal is not inconsistent with the WRAP program and should not prevent external LSEs from meeting their WRAP obligations.

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[20] July 28 Filing at 5, 10, 47. WPTF's and EPSA's claims that the power supply contract requirement somehow prejudices non-load serving entity suppliers from obtaining a Wheeling Through Priority strains credulity. The proposed tariff provisions expressly provide that either the supplier or purchaser under a firm power supply agreement can hold the Wheeling Through Priority. Proposed tariff section 23.2.1. The same power supply contract (or contingent power supply contract) that allows and external LSE to obtain a Wheeling Through Priority also allows the supplier to obtain it (although they both cannot hold the same priority for the same contract).

[21] EPSA at 7.

[22] EPSA at 7-10; WPTF at 10.

WPTF, for example, argues that WRAP may require the use of *pro forma* OATT network and point-to-point transmission services to allow resources wheeling through the CAISO balancing area to qualify for WRAP compliance.[23] There is no reason to believe WRAP will preclude external entities from relying on transmission service under the CAISO tariff. Indeed, in August 2022, the Northwest Power Pool d/b/a Western Power Pool (Western Power Pool) explained that WRAP was designed to work within the existing market structure in the West:

> Potential WRAP Participants are already sophisticated participants in the bilateral markets of the West, and the WRAP obligations will simply be layered on top of the existing market structure, to enhance resource adequacy in the region while minimizing disruption to existing business structures and arrangements.[24]

The CAISO's new firm use transmission service tied to its wholesale markets has been in effect since 1998 and is an integral part of a tariff structure the Commission has consistently found to be consistent with or superior to the *pro forma* OATT.[25] In the Transmittal Letter accompanying the June 28 Filing and in this Answer the CAISO demonstrates how Priority Wheeling Troughs are comparable or superior to firm point-to-point transmission service under the *pro forma* OATT; no party rebuts this showing or demonstrates otherwise. The concept of providing wheeling through priorities under the CAISO tariff has been accepted by the Commission since 2021 and has been a key element of the more durable approach throughout the stakeholder process leading up to the July 28 Filing. It cannot be the case that the WRAP approach accepted by the

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23 WPTF at 10.

24 Western Power Pool August 31, 2022, transmittal letter in Docket No. ER22-2762 at 12.

25 *See, e.g., Cal. Indep. Sys. Operator Corp.*, 112 FERC ¶ 61,009, at PP 39-40 (2005).

Commission in early 2023 can require some fundamental change to the CAISO new firm use transmission service model or the Wheeling Through Priority mechanism already in effect. Also, given the Commission has found the CAISO's transmission service to be consistent with or superior to the *pro forma* OATT, it cannot be the case that WRAP is requiring service superior to what others are providing under the *pro forma* OATT. If interested parties have questions about how to satisfy WRAP requirements by obtaining transmission service and Wheeling Through Priorities under the CAISO tariff, the CAISO is prepared to work with WRAP parties to discuss implementation details. In addition, the CAISO will be stipulating in its business practice manual that it expects scheduling coordinators will be tagging the Wheeling Through Priorities as NERC Priority 7F. This is consistent with that actions of protesters and others who have submitted e-tags for Priority Wheeling Through transactions using the NERC Priority 7F transmission service designation.

B. The CAISO's Proposed Updates to the Calculation of ATC Properly Account for Native Load in Its Balancing Area

1. The CAISO's Native Load Provisions Are Not Unduly Discriminatory

Some commenters contend the CAISO's proposed updates to its calculation of ATC favor CAISO LSEs and unduly discriminate against LSEs outside the CAISO balancing area.[26] These commenters fail to acknowledge that CAISO LSEs are situated differently from external LSEs as they are entirely dependent of the CAISO

[26] *See* NV Energy at 9-10; Arizona Utilities at 12-13.

system and have different requirements with which they must comply. The Commission recognizes the CAISO tariff appropriately can account for these differences. For example, the Commission has found that it is not unduly discriminatory for the CAISO to adopt different requirements for external LSEs to obtain an allocation of congestion revenue rights (CRRs).[27] In the context of wheeling priorities, the Commission recognized internal load and external load are not similarly situated with respect to their membership in the CAISO or reliance on the CAISO grid.[28]

Some claims of discriminatory treatment ignore the important role of native load protections in the Commission's open access policies. For example, commenters suggest the CAISO's reservation of transmission capacity for native load needs favors California Resource Adequacy requirements to the detriment of resource adequacy approaches in other parts of the West.[29] These arguments mischaracterize the CAISO's proposal. The proposed tariff revisions do not make distinctions comparing the California Resource Adequacy program to other resource adequacy approaches in

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[27] *Cal. Indep. Sys. Operator Corp.,* 116 FERC ¶ 61,274, at PP 766-69, *order on reh'g*, 119 FERC ¶ 61,076, at P 369-71 (2007). Specifically, to be eligible for an allocation of CRRs, external LSEs had to show legitimate need – in the form of an executed power supply contract to serve their load and firm transmission to the CAISO border – and they had to prepay their wheeling access charge for all of the hours during the CRR period. The Commission further rejected claims that the different requirements for external LSEs violated Order No. 888 open access policies. *Id.* at P 371.

[28] June 2021 Order at P 148.

[29] Arizona Utilities refer to Tariff Appendix L-1 stating, "The concern of Arizona Utilities lies in the lack of delineation between normal transactions and resource adequacy transactions. CAISO's tag curtailments being proposed could place capacity backed WRAP transactions on the same curtailment footing as market transactions, when in fact these deliveries are for resource adequacy purposes." Arizona Utilities at 11. Arizona Utilities' argument is unclear. Appendix L-1 pertains solely to the calculation of ATC. It has nothing to do with curtailment priorities. Curtailment priorities are effectuated under tariff sections 31.4, 34.12, and 34.12.3, and they clearly reflect that Priority Wheeling Through transactions have a priority equal to CAISO load. To the extent, Arizona Utilities are arguing that WRAP transactions should have a priority over other transactions on the CAISO system, there is no basis for such an argument. The native load priority does not extend to transmission service on external transmission systems.

the West. Instead, the CAISO uses commitments made under the California Resource Adequacy program as an input used to inform and determine CAISO native load needs as an existing transmission commitment (ETComm) in calculating ATC. The ability of transmission providers to include in their tariffs certain protections to ensure reliable service to native load customers is one of the "core elements" of the Commission's open access policies.[30]

NV Energy raises concerns with the CAISO's proposal to determine native load requirements and reserve transmission capacity for native load prior to posting any ATC for use by an external entity for monthly Wheeling Through Priorities.[31] The CAISO's proposed 13-month ATC calculation proposal is consistent with the horizon other transmission providers in the Western Interconnection use to calculate ATC as well as NERC Reliability Standard MOD-001-1a.[32] In approving this Reliability Standard, the Commission found that looking out 13 months is appropriate because the 13-month point is the boundary of the operational horizon, beyond which the planning horizon begins.[33]

Under Commission precedent, all transmission providers have the right to reserve capacity for native load and native load growth prior to making capacity

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30 *See, e.g., Preventing Undue Discrimination and Preference in Transmission Service,* Notice of Proposed Rulemaking, 71 Fed. Reg. 32,636 (June 6, 2006), FERC Stats. & Regs. ¶ 32,603, at P 4 (2006).

31 NV Energy at 9-11.

32 *See* NERC Reliability Standard MOD-001-1a, available at https://www.nerc.com/pa/Stand/Reliability%20Standards/MOD-001-1a.pdf.

33 *See Mandatory Reliability Stds. for the Calculation of Available Transfer Capability*, Notice of Proposed Rulemaking, 126 FERC ¶ 61,249, at P 135 (2009); *Mandatory Reliability Stds. for the Calculation of Available Transfer Capability*, Order No. 729, 129 FERC ¶ 61,155, at P 278 (2009).

available for other transmission services. In Order No. 888, the Commission made clear transmission providers could set aside capacity on their systems for native load and native load growth.[34] Far from a departure from open access principles, the right of transmission providers to reserve capacity for native load and native load growth is essential to Commission policy:

> In Order No. 888, the Commission gave public utilities the right to reserve existing transmission capacity needed for native load growth reasonably forecasted within the utility's current planning horizon. . . . We continue to believe these protections for native load are appropriate.[35]

Thus, the Commission specifically recognizes that Order No. 888 and its progeny provide a native load priority.[36] NVE's objection to the CAISO reserving capacity for native load before making it available for Priority Wheeling Throughs flies in the face of the basic native load priority concept. Transmission capacity set aside for the native load priority does not "compete" with other transmission services for ATC. Native load is part of the ETComm and is deducted from the TTC to determine what ATC is available for new transmission uses. Adopting NV Energy's argument would eviscerate

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[34] *See, e.g.*, *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Servs. by Pub. Utils.; Recovery of Stranded Costs by Pub. Utils. & Transmitting Utils.*, Order No. 888 at PP 61, 694, 61,745, FERC Stats. & Regs., ¶ 31,004(1996), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048, at 30,279 (1997) (finding that "the transmission provider is responsible for planning and maintaining sufficient transmission capacity to safely and reliably serve its native load. Order Nos. 888 and 889 permit the transmission provider to reserve, in its calculation of ATC, sufficient capacity to serve native load."); Order No, 890, 118 FERC ¶ 61,119 at P 107; June 2021 Order at P 143 (finding that Order Nos. 888 and 890 "require transmission providers to sell the existing transmission capacity that the transmission provider determines is not needed to serve existing transmission commitments, such as the transmission provider's native load and existing network transmission customers.").

[35] Order No. 890 at P 107.

[36] *Id.* ("We conclude that the native load priority established in Order No. 888 continues to strike the appropriate balance between the transmission provider's need to meet its native load obligations and the need of other entities to obtain service from the transmission provider to meet their own obligations.")

the entire concept of a native load priority and could result in insufficient capacity being set aside for the CAISO to meet native load needs reliably.

When the CAISO filed for Commission acceptance of the current interim Wheeling Through Priority tariff provisions in its April 2021 Filing, it explained that it lacked the time to fully update its ATC calculations to account for native load and native load growth, as other transmission providers do.[37] Under these circumstances, the Commission found that the CAISO's currently effective interim tariff provisions regarding native load priorities are consistent with or superior to the *pro forma* OATT.[38]

Under the CAISO's proposal, it is accounting for transmission capacity needed to serve native load in its ATC calculations for the first time. In this respect, the CAISO's proposed reservation of transmission capacity for native load as part of its wheeling priority framework is more consistent with the native load protections employed by other transmission providers in the West and across the nation. Arizona Utilities suggest that the CAISO has "long foregone" the opportunity to protect native load.[39] The Commission rejected a similar argument in accepting native load protections as part of the interim Wheeling through Priority tariff provisions in 2021 demonstrating that there is no statute of limitations on transmission providers addressing the system needs of native load.[40] Indeed, the Commission specifically stated it

[37] April 28, 2021, CAISO filing in Docket No, ER21-1790 at 8.

[38] March 2022 Rehearing Order at P 27 ("By providing non-discriminatory open access to all customers, CAISO's method of implementing native load priority satisfies Principle No. 3 of Order No. 888, and is 'consistent with or superior to' the *pro forma* OATT."); *id.* at P 36 ("We disagree with ACC's contention that CAISO has not explained how its proposed native load protections are 'consistent with or superior to' the *pro forma* OATT native load protections.").

[39] Arizona Utilities at 13.

[40] *Cal. Indep. Sys. Operator Corp.,* 175 FERC ¶ 61,245 at P 145 (2021).

> disagree[d] with commenters that, because CAISO has not implemented traditional methods to reserve capacity for native load, it has somehow forfeited the ability to consider the needs of existing commitments to internal load. As CAISO notes, nothing in Order Nos. 888 or 890 limits a transmission provider's ability to adopt protections for native load obligations to their initial Order Nos. 888 and 890 compliance filings.[41]

2. The Inputs the CAISO Proposes to Use to Forecast Native Load Needs are Just and Reasonable

The specifics of the CAISO's proposed native load capacity reservations use as inputs data from the Commission-accepted Resource Adequacy program in California as well as contract information provided to the CAISO. The CAISO will forecast native load needs each month over the 13-month horizon based on historical volumes of import supply contracted by CAISO LSEs, which will be represented as the highest volume of total resource adequacy (RA) imports shown on RA Plans plus eligible non-RA supply under contract for the month during the past two years (as well as native load growth and permitted contract adjustments). Also, before the CAISO initially establishes ATC for a month that is 13 months away, LSEs must notify the CAISO of any new contracts for imports to serve their load that are not reflected by RA or non-RA contracts accounted for in the historical two-year period.[42] CAISO LSEs also must attest whether such contracts replace contracts reflected in the historical two-year accounting or are incremental to such contracts and provide the requisite information. LSEs must also notify the CAISO of any import contracts reflected in the historical two-year period that will be discontinued anytime in the 13-month horizon and will not be

[41] July 2021 Order at P 145.

[42] New tariff section 23.3.3 and Appendix L-1, section L.1.3.3.3.2.

replaced with another import at the same Scheduling Point.[43] The CAISO will use these representations in establishing the initial ATC for the month.[44]

Powerex concedes that the CAISO's use of native load forecasts to determine ATC is not problematic but claims that the CAISO's approach reserves too much capacity for native load in its ATC calculations.[45] The CAISO, however, explained at length in its July 28 Filing why its forecast of native load needs is just and reasonable.[46] Powerex rebuts none of that explanation; instead, it mainly objects to (1) California's Resource Adequacy Program,[47] which is beyond the scope of this filing, and (2) the possibility calculating ATC might result in fewer Priority Wheeling Throughs being available compared to the interim Wheeling Through measures where the quantity of Priority Wheeling Through is not limited by ATC. A more accurate calculation of native load in the ETComm component of the ATC calculation is not unduly discriminatory.[48]

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43 *Id*.

44 *Id*. New tariff section 23.3.3.

45 Powerex at 11-15. Notably, Powerex refers to Commission policy in its protest, but cites only the CAISO's own filing, CAISO tariff provisions, and the order accepting the CAISO's interim Wheeling Through Priority tariff provisions.

46 Transmittal Letter for July 28 Filing at 35-40.

47 Powerex at 12.

48 Powerex also questions consideration of non-Resource Adequacy contracts for purposes of setting aside capacity for native load. Powerex at 13. In the Transmittal Letter, the CAISO explained why accounting for non-Resource Adequacy Contracts is necessary – the CPUC and local regulatory authorities can direct it or CAISO LSEs cannot secure sufficient import capability through section 40.2.2.4 of the CAISO tariff, and thus imports they have procured to serve their load cannot count as Resource Adequacy Resources. Transmittal Letter at 13, 37). Indeed, in its most recent annual Resource Adequacy decision, the CPUC authorized the three investor owned utilities to undertake procurement of an additional 1,700-3,200 MW of capacity that would not count as Resource Adequacy Capacity but would provide needed reliability benefits. CPUC Decision D.23-06-029: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M513/K132/513132432.PDF. The proposed tariff revisions also require that any non-Resource Adequacy contracts eligible for consideration in the ATC calculation for a given month be for a month or longer or be a portfolio of shorter-term contracts for the month. Proposed tariff sections 23.3.2 and 23.3.4. Thus, spot energy purchases will not count toward establishing the native load set aside quantity. Also, as discussed elsewhere herein, contracts for replacement capacity do not count. *Id.*

Powerex also ignores the CAISO's proposed tariff provisions that would allow (1) TORs to support Wheeling Through Priorities and (2) TOR capacity to be released to the CAISO and made available as increased ATC that can support additional Wheeling Through Priorities. There are 1200 MW of TORs at Malin (out of a total capacity at Malin of 3200 MW), 700 MW of which Powerex possesses. Historically, Powerex has released this TOR capacity for use by the CAISO. Any reduced amount of capacity available Priority Wheeling Throughs resulting from lack of ATC on the CAISO-controlled Grid will be offset by the increased TOR capacity that can be used to support Wheeling Through Priorities under the CAISO's proposal or be released to increase ATC.

Arizona Utilities object that CAISO LSEs can notify the CAISO of new contracts in place before the CAISO makes its initial ATC calculation for a month (13-months in advance) because it might reduce the amount of ATC that is available for Wheeling Through Priorities.[49] This tariff revision enables the CAISO to calculate native load needs reflected in ETComm 13-months in advance based on more accurate and updated information. Arizona Utilities ignore that CAISO LSEs must also notify the CAISO of any import contracts during the historic period that have terminated and which the LSE will not replace at that intertie.[50] Arizona Utilities' argument is essentially an argument against the Native Load Priority. Most transmission providers utilize a "forecast" of native load needs setting aside capacity for native load and native load growth. The CAISO's forecast is based on historic Resource Adequacy contracts

49 Arizona Utilities at 9.

50 Proposed tariff section 23.3.3.

during the past two years plus the LSE notifications of new contracts prior to the 13-month ATC calculation. Importantly, the CAISO will "true-up" the capacity set aside for native load 30 days before the month based on actual LSE contract showings. OATI noted in its report that the CAISO's proposed approach for determining native load needs is not dissimilar from the practices other transmission providers.[51] Accordingly, the CAISO's proposal does not give CAISO LSEs an unfair advantage; rather, it is consistent with the entire purpose of the native load priority.

3. The CAISO's Treatment of Native Load Growth Is Just and Reasonable, Aligned with Procurement Practices Its Region, and Consistent With Commission Requirements

NV Energy claims that the CAISO's approach to account for load growth in the 13-day horizon omits the second part of the Commission's test – a reasonable plan to meet that native load growth.[52] To the contrary, the CAISO's proposal satisfies the Commission's requirements for capturing native load growth in ATC calculations and recognizes the unique requirements of California's Resource Adequacy and Integrated Resource Plan (IRP) processes.

Order Nos. 888 and 890 allow public utilities "to reserve existing transmission capacity needed for native load growth reasonably forecasted within the utility's current planning horizon."[53] The Commission evaluates a transmission provider's native load

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[51] OATI Opinion at, 8, Attachment G to July 28 Filing.

[52] NV Energy at 26-27.

[53] Order No. 888 at 31,745; *Preventing Undue Discrimination & Preference in Transmission Serv.*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, at PP 107-08 (Order No. 890), *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007) (Order No. 890-A), *order on reh'g*, Order No. 890-B, 123

growth forecasts on a case-by-case basis and has not adopted a generally applicable test or standard for evaluating native load growth forecasts.[54] In various cases addressing these issues, the Commission has held that native load growth forecasts must be "based on specific projections of native load growth that are accompanied by specific evidence."[55]

The CAISO's native load growth forecasts are based on forecasts from the California Energy Commission (CEC) as part of the State's integrated energy policy report process.[56] CEC forecasts serve as the basis for establishing annual Resource Adequacy requirements for CAISO LSEs[57] and IRP procurement requirements at the CPUC.[58] These CEC load forecasts also inform the CAISO's transmission planning process. As part of its ATC calculation process, the CAISO will specify capacity set aside for load growth and document how this load growth from CEC forecasts is attributed to different interties. As the CAISO discussed in its Transmittal Letter (pp. 9, 13-14), LSEs are not required to show 100 percent of their system Resource Adequacy Capacity until 45-days before the applicable month.[59] The CPUC does not specify the

FERC ¶ 61,299 (2008) (Order No. 890-B), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

54 Order No 890 at P 1256.

55 *Am. Elec. Power Serv. Corp.,* 101 FERC ¶ 61,384 at P 15 (2002); *Southern Co. Servs., Inc.,* 110 FERC ¶ 61,379 at P 15 (2005).

56 Proposed Tariff section, Appendix L-1 at L.1.3.3.1.

57 CAISO tariff section 40. 2.2.3.

58 CPUC, *Decision Setting Requirements for Load Serving Entities Filing Integrated Resource Plans*, February 8, 2018: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M209/K771/209771632.PDF

59 Further, the CPUC requires that its jurisdictional LSEs only show 90 percent of their system Resource Adequacy Capacity for the summer months of the upcoming calendar year by October 31 of the prior year. Transmittal Letter at 13-14. Thus, even any annual CPUC-ordered Resource Adequacy

exact amount of imports (or other) resources its jurisdictional utilities must procure or the specific import resources LSEs must procure. The only requirement is that LSEs do not procure capacity outside of the maximum cumulative capacity (MCC) bucket percentage ranges.[60]

Thus, contrary to NV Energy's desires, not all specific Resource Adequacy Resources are known 13 months in advance when the CAISO establishes initial ATC values and determines the amount of capacity it should set aside for native load. NV Energy further ignores that non-resource specific resources can count as Resource Adequacy Resources under the RA program.[61] NV Energy also ignores that the CAISO's proposed native load set aside is based largely on historic contract values for the prior two years. Those historic values, by definition, do not reflect native load growth for the upcoming 13 months for which the CAISO will calculate ATC. If the CAISO were unable to utilize the CEC's load forecasts for upcoming months, the CAISO might not preserve sufficient capacity for native load because the ATC calculation would not account for load growth forecasted in the current year. Ultimately, the quantity set aside for native load is based on actual LSE contract showings in the month-ahead timeframe. If those contract showings are less than the amount of

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showings occur well after the CAISO initially would calculate ATC values and set aside capacity for native load for the applicable months 13-months in advance.

60 Under the CPUC's MCC buckets, no more than 17 percent of LSEs' Resource Adequacy Capacity can come from contracts with a duration of only 100 hours per month, 96 hours in February. On the other hand, up to 24.9 percent of their RA Capacity can come from 6 x 8 contracts and 34.8 percent from 6 x 16 contracts, with the remainder coming from other types of RA Resources. *See* CPUC Decision D.23-06-029, p. 14, available at https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M513/K132/513132432.PDF.

61 *See* CPUC Decision D.23-06-029: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M513/K132/513132432.PDF.

capacity the CAISO initially set aside for native load 13-months in advance, the CAISO will release the unused ATC, which will then be available for additional Wheeling Through Priorities and other new firm uses.

For these reasons, the CAISO's proposal is consistent with or superior to the *pro forma* OATT model for determining native load growth and accounts for the CAISO's unique tariff structure, market design, and resource adequacy program. [62] Thus, the Commission should reject NV Energy's arguments regarding load growth.[63]

4. The Proposed ETComm Does Not Count Capacity Contracts Designed to Replace Capacity Under Other Contracts that Becomes Unavailable

Arizona Utilities express concern (erroneously) that the CAISO is allowing replacement capacity contracts designed to replace capacity that becomes unavailable to count in the ETComm component of the ATC calculation and this may allow CAISO LSEs to double count transmission needs. Arizona Utilities ignore that at their request, and the request of other external LSEs, the CAISO added tariff language expressly providing that non-Resource Adequacy contracts reflected in the ATC calculation

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[62] *Cal. Indep. Sys Operator Corp.,* 178 FERC ¶ 61,180 at n.93 (2022), *citing N.Y. Indep. Sys, Operator Corp., Inc,* 123 FERC ¶ 61,134 at P 13.

[63] The CAISO has also committed to meet with stakeholders to discuss ATC and its components – including its plans for native load growth – and expected conditions for the upcoming summer and the following summer. Insofar as NV Energy suggests the specifics of this process should be in the CAISO tariff, they are seeking a level of detail not found in the *pro forma* OATT. Such implementation details as the allocation of load growth to specific interties will be evolving based on changing conditions in the West, and it would be detrimental to the CAISO's ability to respond to such changing conditions to include this level of granularity in the CAISO tariff.

cannot be “contracts to replace other external capacity that becomes available.”[64] Thus, Arizona Utilities’ argument is unfounded.

C. The CAISO’s Proposed Updates Transmission Reliability Margin Tariff Provisions Are Just and Reasonable

Under provisions of the existing CAISO tariff the July 28 Filing does not propose to modify, Transmission Reliability Margin (TRM) is defined as an amount of transmission transfer capability reserved at a CAISO intertie point that is necessary to provide reasonable assurance that the interconnected transmission network will be secure. The CAISO subtracts (and will continue to subtract) calculated TRM from Total Transfer Capability (TTC) in the ATC calculation to account for the inherent uncertainty in system conditions and the need for operating flexibility to ensure reliable system operation as system conditions change.[65]

The July 28 Filing only proposes to modify the tariff provisions governing the determination of TRM to (1) state the CAISO will establish TRM and adjust it as needed in all applicable horizons and (2) include two NERC-approved components of

[64] Proposed tariff sections 23.3.2 and 23.3.4. LSEs do not show replacement contracts in monthly Resource Adequacy Plans. LSEs show Resource Adequacy contracts in their monthly Resource Adequacy Plans to meet system, local, and flexible capacity requirements. All Resource Adequacy Capacity shown on monthly Resource Adequacy Plans has a must offer obligation and is generally subject to Resource Adequacy Availability Incentive Mechanism charges for failure to meet their must offer obligations. LSEs do not show on their RA Plans capacity they hold to replace Resource Adequacy Capacity that becomes unavailable during the month because it is not required and it would subject the capacity to the must offer obligation and potential RAAIM charges for the entire month

[65] *See* tariff appendix L-1, revised sections L.1.1 and L.1.5. Contrary to a contention of the Arizona Utilities (at 9), it is the CAISO, not the load serving entities in California, that determine TRM on the CAISO controlled grid. LSEs cannot “adjust their capacity need by simply updating their TRM when entering a long-term contract.” LSE do not have a TRM. Like the July 28 Filing (see footnote 7 of its transmittal letter), this Answer distinguishes between existing tariff provisions (*i.e.*, provisions in the current CAISO tariff), new tariff provisions (*i.e.*, tariff provisions the CAISO proposes to add in the July 28 Filing), and revised tariff provisions (*i.e.*, existing tariff provisions the CAISO proposes to revise in the July 28 Filing).

uncertainty in addition to the three NERC-approved uncertainty components already contained in the TRM tariff provisions.[66] This is consistent with the Commission's recognition of how TRM addresses uncertainty:

> Transmission providers may set aside TRM for (1) load forecast and load distribution error, (2) variations in facility loadings, (3) uncertainty in transmission system topology, (4) loop flow impact, (5) variations in generation dispatch, (6) automatic sharing of reserves, and (7) other uncertainties as identified through the NERC reliability standards development process.[67]

Also, as required by NERC Reliability Standard MOD-008-1, the CAISO will maintain a Transmission Reliability Margin Implementation Document (TRM ID) that contains the following information:

- R1.1--- identification of each of the components of uncertainty used in establishing TRM and a description of how that component is used to establish a TRM value
- R1.2---the description of the method used to allocate TRM across ATC Paths or Flowgates
- R1.3--- the identification of the TRM calculation used to each of the following time periods: same day and real time; day-ahead and pre-schedule; and beyond day-ahead and pre-schedule, up to 13 months ahead

WPTF argues that the CAISO should reserve TRM at a level less than six percent and possibly as low as zero, on the grounds the CAISO may already be

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[66] July 28 Filing at 43-45. The three existing uncertainty components are forecast uncertainty in transmission system topology, allowances for parallel path (loop flow) impacts, and allowances for simultaneous path interactions. The two additional uncertainty components are aggregate load forecast uncertainty and variations in generation dispatch. Tariff appendix L, revised section L.1.5. The current version of the CAISO Transmission Reliability Margin Implementation Document is available at http://www.caiso.com/Documents/TransmissionReliabilityMarginImplementationDocument.pdf#search=transmission%20reliability%20margin%20implementation%20document, and will be revised in accordance with a Commission order accepting the July 28 Filing.

[67] Order No. 890 at P 273.

accounting for uncertainty in its proposed calculation of ETComm.[68] In contrast, SDG&E argues the CAISO should establish TRM at a level as high as 22.6 percent in order to meet the CEC's forecasted load and to provide a cushion for import resource adequacy needs to be reserved for the reliability of native load.[69] The CAISO will establish the level of TRM based solely on the NERC-approved uncertainty components set forth in the TRM tariff provisions as modified by the July 28 Filing[70] and in its Transmission Reliability Margin Implementation Document (TRM ID).[71] The CAISO will ensure it does not double-count in TRM anything included in ETComm (or anything else in the components of the ATC calculation).[72]

The CAISO will establish the level of TRM and adjust it pursuant to the tariff and the Transmission Reliability Margin Implementation Document, which will give the CAISO the flexibility required to set and adjust TRM as needed to account for uncertainty.[73] This flexibility is essential because the very purpose of TRM is to "account for the inherent uncertainty in system conditions and the need for operational

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[68] WPTF at 3, 7-8, 11-12. WPTF's argument is conclusory. WPTF offers no specific evidence of how the CAISO might already be accounting for uncertainty in the ETComm calculation.

[69] SDG&E at 3-4.

[70] *See* tariff appendix L-1, revised section L.1.5.

[71] Consistent with this approach, the CAISO responds to the CPUC's request for clarification as to whether the CAISO will adjust TRM to account for historical transmission outages and derates that occur with some regularity (*see* CPUC at 19-22), by clarifying that TRM adjustments will account for outages and derates insofar as doing so accords with tariff appendix L-1.

[72] Stakeholders will be able to verify there is no double-counting in the transparent review processes described at the end of this section of the Answer.

[73] For this reason, the CAISO proposes not to specify any specific level of TRM (*e.g.*, a default level) in revised appendix L-1. WPTF is incorrect in stating the CAISO proposes always to use a TRM level of up to six percent. *See* WPTF at 7. Existing tariff appendix L does not specify any particular TRM percentage.

flexibility to ensure reliable system operation as system conditions change."[74] The July 28 Filing explained several factors can drive changes in TRM on particular interties across the different components of uncertainty, such as the need for a larger TRM on select interties to account for additional imports required due to a low hydroelectric year in California.[75] Other ISOs and RTOs also use their own TRM implementation

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[74] Transmittal letter for July 28 Filing at 44 (quoting *Preventing Undue Discrimination & Preference in Transmission Serv.*, 115 FERC ¶ 61,211, at P 114 n.112 (2006)). For example, section L.1.5 of appendix L-1 provides that the CAISO may include a sub-component of the TRM to account for changes in resource adequacy requirements ordered by the CPUC and other local regulatory authorities. Because the native load set-aside is largely based on historic resource adequacy requirements, if the CPUC or local regulatory authorities increase resource adequacy requirements for the upcoming year the CAISO may need to adjust TRM because those increased requirements will not be reflected in the native load set-aside conducted 13 months in advance. It is uncertain what, if any, changes the CPUC or local regulatory authorities may make or what the level of such changes may be. Any TRM adjustment necessarily would be based on, and could not exceed, the level of the change, and there must be ATC to support it. In that regard, consistent with the CAISO's proposal, any TRM increases cannot unwind Wheeling Through Priorities that have already been awarded. Section L.1.5 also includes a second TRM subcomponent that permits the CAISO to adjust the TRM for load forecast changes. The native load set aside is based primarily on historic contract showings, which are based on historic load forecasts. Native load growth is based on CEC forecasts, and current year Resource Adequacy contract showings are based on a CEC load forecast issued in the first part of the prior year. The "aggregate load forecast uncertainty" component of TRM under NERC Reliability Standard MOD-008-1, can account for the inaccuracy (or error) of CEC load forecasts. Also, subsequent forecast changes can occur. The CAISO should be able to adjust the TRM prospectively to account for subsequent load forecast changes (but only to the extent of the load forecast changes without double-counting any amount already set aside for load forecast error) if there is ATC. Again, the CAISO cannot unwind any previously awarded Wheeling Through Priorities due to changes in TRM. Any TRM adjustment would of course be limited to the difference between the new forecast and the forecast upon which the native load set-aside is based. Because the CAISO's transmission service is daily, any TRM that is unused during the day is available for new firm uses. Likewise, any TRM the CAISO releases is available for new firm uses. As mentioned in this Answer and in its Final Proposal (section 6.1.3), the CAISO is committed to transparency, and it will meet with stakeholders annually to discuss the calculation of ATC and TRM values for the following summer in the 13-month horizon. This will allow stakeholders to evaluate the numbers and provide an open forum to discuss whether the underlying methodologies and resulting numbers remain reasonable and provide expected results and whether there are additional elements or uncertainties that need to be considered. *See* proposed tariff section 23.3.6—Annual Summer ATC and TRM Assessment Meeting with Stakeholders.

[75] Transmittal letter for July 28 Filing at 44-45. *See also* appendix L-1, new section L.1.5. The historic contract showings used to establish the native load set aside for the upcoming 13 months may not reflect drought conditions and thus may be based on increased internal hydroelectric electric volumes serving CAISO native load (as opposed to imports) that will not be available in the upcoming 13 months. However, if drought conditions are forecasted to exist in the upcoming 13 months, the CAISO may want to adjust TRM because the historic values may reflect an over-reliance on hydroelectric generation that will no longer be available. The CAISO would need to determine the appropriate TRM adjustment by comparing the hydro levels upon which the historic LSE contract showings were based with the forecasted hydro levels for the upcoming 13 months. Any TRM adjustment could only be based on the

documents to adjust TRM as required based on changes in system conditions.[76] Further, the CAISO's tariff provisions on the calculation of TRM, as revised by the July 28 Filing, are at least as detailed as the TRM provisions contained in the tariffs of other ISOs and RTOs.[77] OATI recognized that the CAISO is using TRM in a manner similar to other ISOs and RTOs, and the main components of TRM are common to the ISOs

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difference between historic and forecasted hydroelectric conditions and could not be based on a higher amount. As with any other TRM adjustments, the CAISO could not unwind previously awarded Wheeling Through Priorities. Section L1.5 of appendix L-1 also permits the CAISO to adjust the TRM to account for the wind capacity not performing at its Net Qualifying Capacity (NQC). Resources count for Resource Adequacy purposes based on their NQC. If the contracted wind resources reflected in the capacity set aside for native load based on month-ahead contract showings are forecasted to perform below their NQC, the CAISO may need to adjust the TRM to account for the difference. Of course, the CAISO can adjust the TRM only if ATC is available, and it cannot unwind previously awarded Wheeling Through Priorities. The CAISO notes that the TRM ID of Public Service Company of New Mexico (PNM) allows PNM to adjust TRM for among other things, the loss of wind producing generation or the outage of the single largest generation resource. These factors are not listed in Attachment C to PNM's Commission-approved OATT tariff that expressly states "Determination of TRM is discussed in the Transmission Reliability Margin Implementation Document (TRMID) posted on OASIS." *See* Public Service Company of New Mexico, Open Access Transmission Tariff, Attachment C, section 5.3.2. *See also,* El Paso Electric Company Open Access Transmission Tariff, Attachment C (stating that TRM is reserved by the Transmission Provider based upon power flow studies. Because the conditions under which TRM is reserved and used varies by path and may change from time-to-time as new system facilities are constructed, the line by line detail is provided in the document entitled "Principles, Practices and Methods for the Determination of Available Transmission Capability for El Paso Electric Company).

76 *See* Midcontinent Independent System Operator, Inc. (MISO) Transmission Reliability Margin Implementation Document, section 5.5, available at https://www.oasis.oati.com/woa/docs/MISO/MISOdocs/TP-PL-002_Transmission_Reliability_Margin_Implementation_Document(6966_1).pdf (stating that "TRM studies and updates are performed at a minimum of twice per calendar year. . . . Additional TRM updates may be performed when necessary"); PJM Interconnection, L.L.C. (PJM) Transmission Reliability Margin Implementation Document, sections 3.2.6 and 3.2.7, available at https://www.pjm.com/pub/oasis/TRMID.pdf (stating that "TRM may be modified during times of unusual circulation or other operating conditions to ensure reliable system operations" or be modified "to reflect variation in generation dispatch to prevent the flowgate from artificially restricting ATC"); Southwest Power Pool, Inc. (SPP) Transmission Reliability Margin Implementation Document, at section entitled "Purpose," available at https://www.oasis.oati.com/SWPP/index.html under the "ATC Information" tab (stating SPP calculates TRM "using the methods described in SPP's Tariff in Attachment C Section 4.5," which in turn states SPP "makes adjustments to Firm and Non-Firm Base Loading upon the change of [specified] inputs").

77 *Compare* CAISO tariff appendix L-1, section L.1.5, *with* MISO Tariff, appendix C, section 3, PJM OATT, appendix C, at section entitled "Treatment of Transmission Reliability Margin (TRM)," and SPP Tariff, appendix C, section 5. For example, compare Attachment C to PJM's Open Access Transmission Tariff states: "Transmission Provider calculates TRM using the following methodology: 1 TRM shall be set using components of uncertainty identified in the TRMID for all PJM flowgates..." to the content of PJM's TRM ID.

and RTOs.[78] Thus, there is no basis for Powerex's conclusory claims that the CAISO has not provided sufficient detail regarding the TRM in tariff Appendix L-1.[79] The CAISO also notes, and the record shows, Powerex did not raise this objection to the CAISO's TRM tariff revisions in the underlying tariff development process.

EPSA argues the CAISO will reserve TRM for imports without long-term contracts for uncertainty in alleged contravention of a requirement in Order No. 890 that load network service only can be used for off-system purchases that are sufficiently identified.[80] However, the paragraph in Order No. 890 that EPSA cites only concerns what off-system resources network transmission service customers can count as network resources.[81] The paragraph has nothing to do with the calculation of TRM. In any event, no rule requires TRM be supported by long-term contracts.

NV Energy argues that if the Commission accepts the July 28 Filing, it should require the CAISO to report the monthly and daily TRM and the reasons for increasing or decreasing TRM.[82] NV Energy also suggests double-counting could occur between the native load set aside and TRM reserved for uncertainty, but it offers no evidence of how such double-counting might occur. The Commission should reject such conclusory and speculative allegations. The native load set aside is based on supply contracts LSEs have procured to meet their resource adequacy obligations and is based initially on historical volumes "trued up" for LSEs' actual month-ahead contract showings; TRM

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78 *See* July 28 Filing, attachment G (OATI Opinion), at 10-16.

79 *See* Powerex at 14-15.

80 EPSA at 5.

81 Order No. 890 at P 1476.

82 NV Energy at 27-28.

is an amount the CAISO (not LSEs) sets aside for specified types of uncertainty consistent with the NERC Reliability Standards. Further, NV Energy provides no precedent suggesting that any transmission provider is obligated to provide the type of daily and monthly TRM reporting NV Energy requests the Commission impose on the CAISO. In addition, there is no need for such a Commission directive, because the CAISO already proposes to provide transparency on these matters.

Specifically, the CAISO plans to post ATC values, including their component TRM values, on its Open Access Same-Time Information System (OASIS) each day.[83] The CAISO will also continue to monitor and review the effectiveness of TRM and adjust it as necessary through a transparent process. If the CAISO makes any changes in the TRM methodology or factors in the methodology, it will describe those changes in the Transmission Reliability Margin Implementation Document and discuss them with stakeholders to provide the appropriate rationale, justification, and transparency.[84] Further, before the summer season each year, the CAISO will meet with stakeholders to discuss ATC and its components – including TRM – and expected conditions for the upcoming summer and the following year's summer. These annual meetings will include an opportunity for stakeholders to consider possible changes or enhancements to the TRM values, discuss the determination of the TRM values for the upcoming 13-month period, ask questions of the CAISO, vet the effectiveness of the ATC calculation methodology, and consider whether any updates or modifications are appropriate based on operational experience.[85] All of these actions and events will help ensure the

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[83] *See* Transmittal Letter for July 28 Filing at 32 (citing tariff appendix L-1, revised section L.3).

[84] *Id*. at 44-45.

[85] *Id*. at 58 (citing new tariff section 23.3.6).

transparency of TRM calculations and adjustments.

D. The CAISO Will Consider Internal Transmission Constraints in Establishing the ATC for Wheeling Through Priorities

The CPUC seeks clarification whether "the CAISO intends to conduct power flow modeling this fall that accounts for internal transmission constraints and how any limitations revealed by the modeling would affect the CAISO's ATC calculation for high priority wheels beginning on June1, 2024."[86] The CPUC notes that the CAISO's Transmittal Letter and Final Proposal in the underlying stakeholder proceeding indicate that the CAISO will annually evaluate the sufficiency of internal paths to support Priority Wheeling Through transactions and transactions serving CAISO load."[87] However, the CPUC notes other statements by OATI and the CAISO that suggests the CAISO might not consider internal constraints.[88]

In its Transmittal Letter and Final Proposal the CAISO committed to undertake an assessment of internal transmission constraints in determining the ATC available for Wheeling Through Priorities annually.[89] For example, in the July 28 Filing (p. 62, fn.

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86 CPUC at 3.

87 *Id.* at 9.

88 *Id.* at 7-8.

89 Confusion regarding the CAISO's intent may have arisen due to its lack of precision in describing the CAISO's undertakings. As indicated herein and elsewhere, the CAISO will undertake annual assessments of its internal transmission system to determine the level of Wheeling Through Priorities it can support. The CAISO is not, however, setting aside specific amounts of capacity on specified internal transmission paths to support Priority Wheeling Through transactions or other transactions. This would result in extreme complexity. Final Proposal at 33-34. All transmission capacity internal to the network is available to the market to support optimized unit commitment and dispatch/res-dispatch, including transfers, exports, and wheels through the system. Stated differently, the CAISO utilizes and optimizes its entire system to serve all submitted bids and schedules, including Wheeling Through schedules, and to serve CAISO Demand.

201), the CAISO stated "it will annually evaluate the sufficiency of internal paths to support Wheeling Through transactions and imports serving CAISO load." This confirmed the commitment the CAISO made in its Final Proposal.[90] In response to the CPUC's specific request, the CAISO reaffirms it will undertake an assessment of the internal transmission system and internal constraints this fall before establishing the initial ATC that will be available to support Wheeling Through Priorities that will be effective June 1, 2024 (and every year thereafter). The CAISO will undertake such assessment using analyses consistent with good utility practice. Power flow modeling might be unnecessary to assess the reliability of the internal transmission system due to Priority Wheeling Through transactions.[91] The CAISO will also leverage existing studies and assessments to test the robustness of the system under different conditions to support imports and Wheeling Through transactions.[92] The CAISO notes it assessed the robustness of the internal system based on available data in developing its proposal.

The CAISO will also account for known outages on key interties and internal transmission lines, as well as transmission line re-rates, in determining the Total Transmission Capacity component of the ATC calculation consistent with the NERC Reliability Standards and the CAISO tariff. Transmission service providers like the CAISO cannot accurately predict all of the possible outages when calculating ATC. Accordingly, consistent with MOD-008-1, the CAISO tariff, and Transmission Reliability

[90] Attachment to June 28 Filing at 33.

[91] The CAISO does not need to conduct power flow modeling to determine if a constraint is binding. If there are sufficient supplies on either side of a constraint, a reliability need will not trigger.

[92] Final Proposal at 33.

Margin Implementation Document, CAISO will account for transmission topology uncertainty, *i.e*., unaccounted for, unexpected outages that may occur from day-to-day, in its TRM.

E. The Commission Should Accept the Tariff Revisions Regarding the Post-HASP Process

As discussed in greater detail *infra* in Section III.F.1, the CAISO clarifies, consistent with its statements in the Transmittal Letter that the reference to "transmission limitations" in tariff section 34.12.3 (addressing the process after the Hour-Ahead Scheduling Process (HASP) or the post-HASP process) means physical limitations such as transmission derates and outages. Below the CAISO responds to additional requests for clarification the CPUC seeks regarding modifications the CAISO proposes to the post-HASP process.

1. Removing the Reference to Path 26 in the Post-HASP Process

Under existing tariff section 34.12.3, the post-HASP process triggers if an intertie or Path 26 is constrained in the north-south direction and HASP cannot meet the CAISO Forecast of CAISO Demand or accommodate a Priority Wheeling Through transaction. The CAISO proposes to remove the reference to Path 26 in Section 34.12.3. The CPUC requests that the CAISO explain why it removed consideration of Path 26 from the post-HASP process and whether its removal will compromise reliability for CAISO customers.[93] The CPUC states it is concerned given the congestion that occurred on Path 26 on July 25, 2023. It also provides a table – Table 1 in the CPUC comments –

[93] CPUC at 4, 23-25.

which it states indicates that in 2024 the CAISO may need all of its internal transmission capacity to move energy from internal Resource Adequacy resources north-to-south to meet load conditions.[94] The CPUC raises concerns Wheeling Through transactions might "crowd out" needed internal resources.[95] Lastly, the CPUC states that "if path 26 is not expected to be binding as the CAISO asserts in the filing, then leaving it in should be of no concern."[96]

The CAISO included the reference in its Summer 2021 filing to implement the interim Wheeling Through tariff provisions as a precautionary measure given it was introducing the concept of a Priority Wheeling Through for the first time. The CAISO was concerned about the possibility of Priority Wheeling Through transactions "crowding out" internal Resource Adequacy resources in Northern California that might be needed to serve load in Southern California, especially as the CAISO was introducing the concept of Priority Wheeling Through for the first time. However, since the CAISO implemented the interim Wheeling Through measures in August 2021, the post-HASP process has never triggered because of a constraint on Path 26 or any other constraint. Also, CAISO analyses show that Path 26 does not bind frequently.

The CAISO's assessment of prior heat wave events indicates internal transmission network constraints generally do not limit the CAISO's ability to support Priority Wheeling Through transactions while at the same time serving native load, including during more stressed system conditions. As discussed in the Final Proposal, the CAISO's analysis of historic events indicated that during peak conditions where

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94 *Id.* at 10, 23.

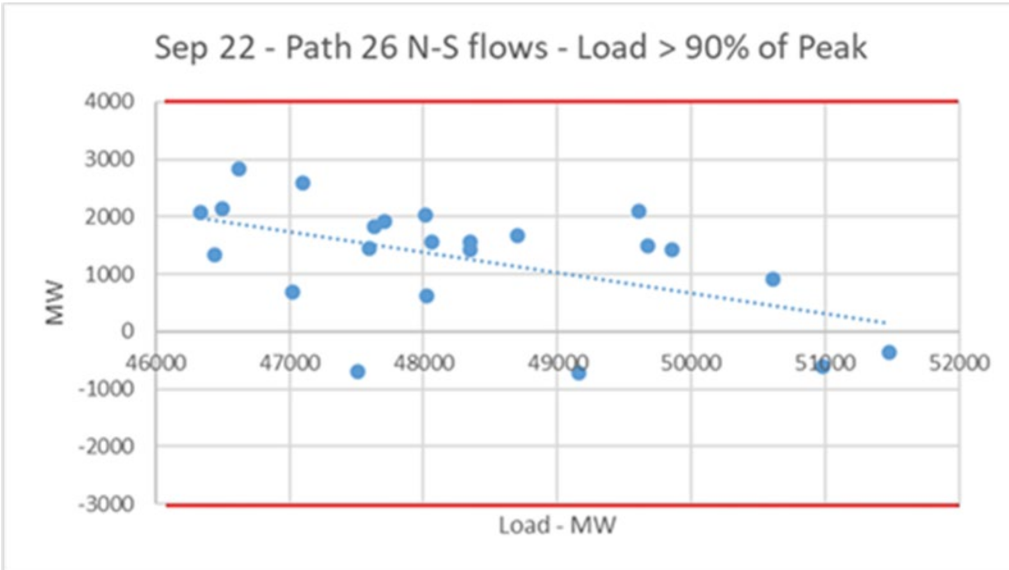
95 *Id.* at 12.

96 *Id*. at 24.

there is internal congestion, internal generation is committed and dispatched for local area purposes, *i.e.*, northern generation has been dispatched to serve northern load and resolve local area congestion, and southern generation is dispatched generally to serve southern load and resolve local area congestion on the system. This reduces north-to-south flow and limits the risk of congestion or overloading on the internal system, including Path 26, under various stressed system conditions. Thus, Priority Wheeling Throughs do not impede the CAISO's the ability to serve load in a particular region of the system.

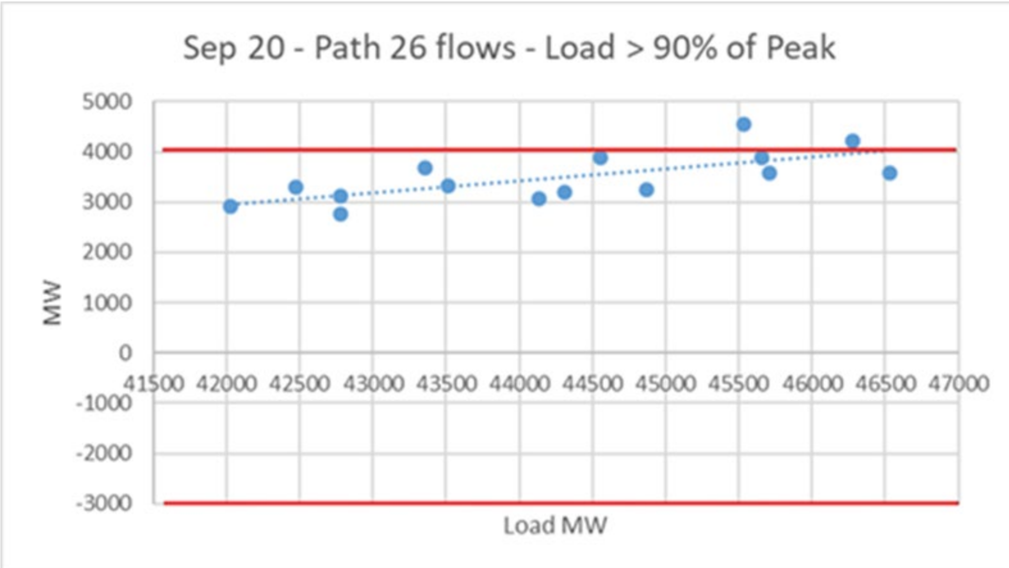
For example, the graphs below illustrate the loading patterns on Path 26 north-to-south during high load conditions in September 2022 when load was within 90% or more of the peak. The graphs illustrate that although the load was near or at the peak, and there were a large number of Wheeling Throughs on the system, Path 26 loading was manageable and did not trigger internal reliability constraints.[97] There are sufficient supplies both in the north and the south of the system that the market can re-dispatch to accommodate different uses of the system, including accommodating large quantities of imports and Priority Wheeling Throughs on the system without triggering internal reliability limits. Looking forward, the CAISO expects there will be more than sufficient resource dispatch capability on either side of Path 26 to continue to manage flows, particularly given scheduled new resource additions across the CAISO balancing authority area.

[97] The CAISO's analysis showed a similar result for flows on Path 15. Transmittal Letter, Attachment E at 34-35.

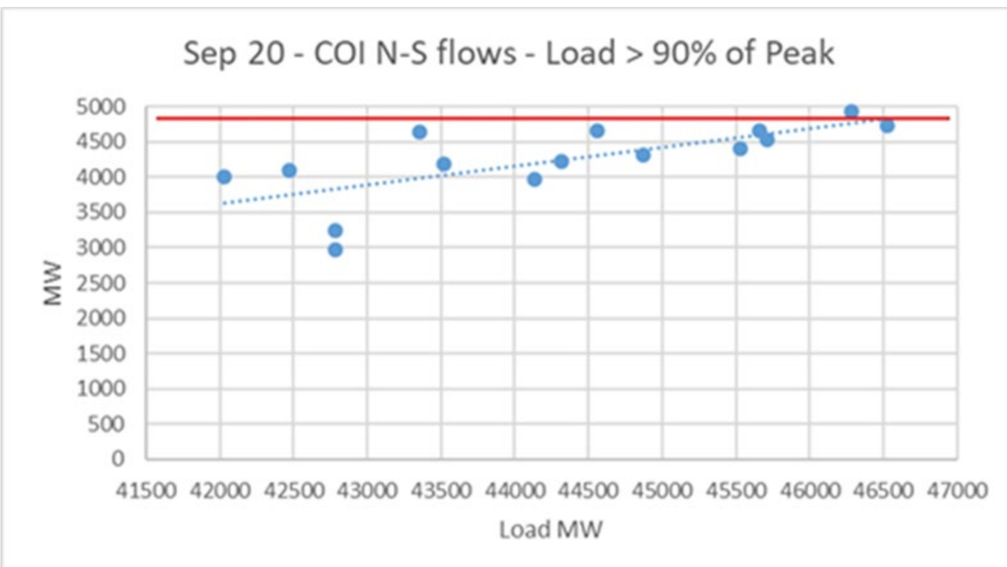


Graph 1: Path 26 loading levels during September 2022 periods when the load was above 90% of the peak.

The CAISO also looked at September 2020 conditions and the loading on Path 26 relative to the conditions on the California Oregon Intertie (COI). The graphs below illustrate the loading on Path 26 in relation to a 4,000 MW traditional path rating with limited excursions above the limit. However, the 4,000 MW Path 26 rating is primarily a proxy rating to monitor acceptable post-contingency loading and post-contingency flows on Path 26 are managed in relation to loading or flow on other paths. Although flows during those 2020 conditions exceeded the informal rating of Path 26 on a couple occasions, it did not trigger internal reliability constraints.



Graph 2: Path 26 loading levels during September 2020 periods when the load was above 90% of the peak.



Graph 3: COI loading levels during September 2020 periods when the load was above 90% of the peak.

Table 1 in the CPUC's comments, does not change the CAISO's analysis. First, Table 1 only assumes a six percent margin; however, the CPUC's approved planning reserve margin for Resource Adequacy for 2024 and 2025 is 17 percent not six percent, and many other local regulatory authorities' planning reserve margins are well over six percent. [98] Table 1 thus fails to account for over 5,000 MW of additional Resource Adequacy Capacity in 2024. Second, Table 1 does not account for the "effective PRM" of 4-6.5 percent that the CPUC adopted for 2024 and 2025, which amounts to 1,700-3,200 of additional MW for investor owned utilities to procure above and beyond Resource Adequacy Capacity. The "effective PRM" procurement targets are 170-320 MW for San Diego Gas & Electric Company and 715-1,440 MW for Southern California Edison Company. Thus, there is additional capacity in Southern California for which Table 1 does not account. Third, Table 1 fails to account generally for any new generation in the queue specifying a commercial operation date between now and June 2024, much of which will quality for Resource Adequacy but are not yet reflected in the CAISO's net qualifying capacity list. The CAISO's records show 28,109 MW (installed capacity) of new generation has specified a commercial operation date between now and June 2024, 17,048 MW of which (61 percent) is located in Southern California. Although it is highly unlikely all of this capacity will be operational by next June, some amount will be.[99]

The CPUC's reference to the congestion on Path 26 on July 25, 2023 does not change the CAISO's analysis. The confluence of two major factors that are unlikely to happen concurrently again was the primary cause of the congestion. First, there was ongoing transmission work that affected Path 26 with a derate of approximately 600 MW only on July 25. Second, congestion was exacerbated due to a modeling issue that

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98 CPUC Decision D.23-06-029: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M513/K132/513132432.PDF.

99 Between now and June 2025, the installed capacity number is 71,109 MW, with 40,425 MW located in Southern California.

resulted in inaccurate flow contributions, as much as 500 MW in some instances. These two factors resulted in more severe congestion on Path 26. Importantly, however, these significant events did not trigger the post-HASP process, and the CAISO did not have to curtail Priority Wheeling Throughs or service to internal load. The CAISO also notes that congestion on Path 26 on July 26, 2023 was *de minimis* and not the reason the CAISO called an energy emergency alert (EEA) for that day.

Finally, the CAISO agrees that this proposed change to existing tariff section 34.12.3 is severable from the CAISO's other proposed tariff revisions. Commission action on the CAISO's proposal to remove the reference to Path 26 in existing tariff section 34.12.3 is wholly unrelated to, and would not affect, the justness and reasonableness of the ATC calculation provisions, the requirements for Wheeling Through Priorities, the proposed monthly and daily request window processes, resales of Wheeling Through Priorities, or the pricing of Wheeling Through Priorities.

2. Removing Consideration of Day-Ahead Priority Wheeling Through Schedules in the Post-HASP Process Is Just and Reasonable

Under the existing post-HASP process in tariff section 34.12.3, the CAISO load share is the lower of each applicable RA resource's real-time energy bid quantity or its shown RA Capacity. The Priority Wheeling Through *pro rata* share for each self-schedule is based on the lowest of: (1) 110 percent of the submitted day-ahead market self-schedule of the Priority Wheeling Through transaction, (2) the submitted real-time market self-schedule of the Priority Wheeling Through transaction, or (3) the Priority

Wheeling Through quantity requested 45-days in advance of the month.[100] In the June 28 Filing, the CAISO proposed to eliminate the first criterion under the existing post-HASP process, *i.e.*, 110 percent of the submitted day-ahead market self-schedules of Priority Wheeling Through transactions. Thus, under the CAISO's proposal, the quantity used for Priority Wheeling Throughs in the post-HASP process will be the lower of (1) the submitted real-time market self-schedules of Priority Wheeling Through transactions, or (2) the Priority Wheeling Through quantity awarded ATC under the request window processes.

The CPUC requests that the CAISO further explain why it removed the incentive for Priority Wheeling Throughs to bid into the Day-Ahead Market and whether its removal will affect reliability given changes that can occur between the day-ahead and real-time.[101] The CPUC notes prior CAISO statements regarding its preference to address the potential impact of Wheeling Through transactions in the day-ahead timeframe rather than waiting until real time.[102] The CAISO acknowledges it would rather address the potential impacts of Wheeling Through transactions – and for that matter all transactions including transactions serving CAISO load -- in the day-ahead timeframe rather than waiting until real-time. However, there are several reasons why the CAISO believes making this change was just and reasonable.

First, including that first criterion in the existing post-HASP process was appropriate because, for the CAISO load quantity, the CAISO was only considering capacity under RA contract during the month, and all RA Capacity has a day-ahead

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100 Existing tariff section 34.12.3.

101 CPUC at 4, 25-27.

102 *Id*. at 26.

must-offer obligation. The CAISO was essentially imposing a corresponding incentive on Priority Wheeling Through transactions. However, under the proposed tariff revisions, the CAISO load quantity will include not only monthly RA contract showings but also monthly non-RA contract showings and any capacity CAISO LSEs procure in the daily ATC request window process. The latter two types of resources have no day-ahead must-offer obligation. Accordingly, the CAISO was concerned about potential undue discrimination and undue preference claims if it were to retain the existing day-ahead bidding incentive for Priority Wheeling Throughs in tariff section 34.12.3.

Second, as the CAISO discussed in the July 28 Filing, the CAISO is making several key changes in this filing and in the post-HASP process in particular that will better allow it to manage Priority Wheeling Through schedules at the interties. These changes lessen the need for any day-ahead bidding incentive for Priority Wheeling Throughs. Specifically, the CAISO proposes to calculate the ATC that is available for Priority Wheeling through transactions. That assessment will include an analysis of both intertie and internal constraints, something that does not occur today. This will ensure Priority Wheeling Throughs are supported by ATC. Under the existing tariff provisions, however, the quantity of Priority Wheeling Throughs is not limited by the amount of ATC; rather, **all** requests for Priority Wheeling Throughs 45-days before the month that meet the firm power supply contract and firm transmission requirement are granted. The CAISO also proposes to add a provision to section 34.12.3 governing the post-HASP process stating the amount of capacity considered for *pro rata* allocation in the process (*i.e.*, the amount of capacity set aside for native load and awarded Priority Wheeling Throughs) cannot exceed the TTC of the intertie. That is not the case today under the existing post-HASP process, where in extreme cases the schedules considered in the post-HASP process can exceed the TTC of a particular intertie, potentially increasing the circumstances in which *pro rata* schedule adjustments might trigger under the process in real-time. Thus, under the existing tariff section 34.12.3, constraints caused by over utilization of an intertie can trigger the post-HASP process. That cannot occur under the proposed tariff provisions. Thus, the proposed provisions will enable to CAISO to manage Priority Wheeling Through schedules more effectively, and facilitate removal of the day-ahead bidding incentive. Third, the CAISO notes it reliably has been able to accommodate existing transmission contact (ETC) and transmission ownership right (TOR) schedules on its system, and they do not have a day-ahead bidding obligation. The quantity of ETCs and TORs on the CAISO system has exceeded the quantity of Priority Wheeling Throughs.

Finally, as is also the case with the proposed revision to tariff section 34.12.3 discussed above in Section III.E.1 of this Answer, the CAISO agrees that this proposed change to existing tariff section 34.12.3 is severable from the CAISO's other proposed tariff provisions.

F. Comments Regarding the Interaction of the CAISO's Proposal and the Western Resource Adequacy Program (WRAP)

1. Priority Wheeling Through Transactions Are Comparable or Superior to Firm Transmission Under the Pro Forma OATT

NV Energy acknowledges the CAISO's discussion in its Transmittal Letter for the July 28 Filing that Priority Wheeling Through transmission is comparable or superior to firm transmission service under the OATT.[103] NV Energy states that if this is the case, the CAISO should call its transmission product firm and label it as 7F to meet the criteria for firm transmission under the WRAP.[104] Powerex alleges in a conclusory manner that the CAISO provides an insufficient basis for determining whether Priority Wheeling Throughs, which have a priority equal to CAISO Demand, provide a comparable level of delivery to firm transmission service under the OATT or meet WRAP's requirements for NERC Priority 6 or 7 transmission service.[105] Arizona Utilities assert that the "CAISO has chosen to depart from the industry standard and therefore it is incumbent on CAISO to ensure that its Priority Wheeling Through product will enable WRAP participants to meet their resource adequacy obligations using external resources that must wheel through CAISO.[106] Arizona Utilities also state that WRAP requires committed supply be deliverable to participating load on either NERC Priority 6 or 7 transmission service, and the WRAP tariff does not provide an exception for Priority Wheeling Throughs.[107] Arizona Utilities request the Commission require the CAISO to work with WRAP to ensure Priority Wheeling Through transactions can support WRAP requirements.[108] WPTF alleges in a conclusory manner that it is unclear from the details of the CAISO's filing whether Priority Wheeling Throughs will support WRAP compliance.[109] In the July 28 Filing, the CAISO explained how Priority Wheeling Through service is comparable or

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103 NV Energy at 20-21.

104 *Id.* at 21.

105 Powerex at 16.

106 Arizona Utilities at 11.

107 *Id.* at 11-12.

108 *Id* at 12.

109 WPTF at 10.

superior to firm transmission under the *pro forma* OATT.[110] A couple of commenters allege that it might not be, but they offer not one iota of evidence to support their innuendo that it is not, and they make no attempt to rebut the CAISO's discussion. Conclusory statements that Priority Wheeling Throughs are not comparable to firm transmission service under the *pro forma* OATT do not make it so. The CAISO tariff and transmittal letter clearly state that Priority Wheeling Through service has the same priority as CAISO load.[111] Any suggestion that the CAISO is serving its native load on less-than-firm transmission has no evidentiary support and strains credulity. Further, the CAISO tariff and transmittal letter make clear that the CAISO will curtail Priority Wheeling Through transactions only if there is (1) a supply insufficiency in the CAISO BAA such that there is a power balance infeasibility in the market, **and** (2) a transmission limitation on the intertie.[112] This distinguishes the CAISO from *pro forma* OATT regimes where only a transmission derate or outage typically need occur to trigger curtailments. A power balance infeasibility triggers when the CAISO market indicates there is insufficient internal, intertie, or other supply to serve load. If there is an infeasibility combined with a transmission derate or outage on an intertie, and there

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[110] Transmittal Letter at 76-79.

[111] CAISO tariff sections 31.4 and 34.12.1; Transmittal Letter at 1, 3, 7, 45, 68. Arizona Utilities refer to a statement on page 39 of the Transmittal Letter that they believe the CAISO might be granting Priority Wheeling Throughs a priority less than CAISO load. Arizona Utilities at 9. This discussion has nothing to do with transmission priorities. The sentence states that if actual Resource Adequacy and non-Resource Adequacy contract showings are less than the volume the CAISO set aside for native load needs in the 13-month horizon, the CAISO will make additional capacity available for parties to seek a Wheeling Through Priority. This is wholly unrelated to the relative transmission priority between Priority Wheeling Throughs and service to CAISO load. The CAISO tariff (tariff sections 24.1 and 34.12.1) and Transmittal Letter (pp. 3, 7) are unequivocal that Priority Wheeling Throughs have the same priority as CAISO load, not a lower priority.

[112] Revised CAISO tariff section 34.12.3; Transmittal Letter at 62-63, 77.

is economic and self-scheduled supply exceeding the intertie capacity available,[113] the market first seeks to adjust economic offers and then lower-priority transactions to respect the intertie transmission limit. This allows self-scheduled supply access to the limited import capability before the CAISO would seek to adjust Priority Wheeling Throughs and self-scheduled imports serving CAISO load.[114] Only if these adjustments are inadequate to address the transmission constraint might the market need to make further adjustments to Priority Wheeling Through schedules and self-scheduled imports serving CAISO load at the intertie on a *pro rata* basis through the post-HASP process.[115]

In any event, the CAISO will **not** reduce Priority Wheeling Through schedules due only to a supply shortfall that triggers a power balance infeasibility (or solely because of a transmission derate or outage).[116] No intervenor provides evidence to the contrary, nor can they. Thus, unlike point-to-point transmission service under the OATT, if there is a derate/outage on CAISO internal transmission facilities, the market will *automatically* seek to redispatch supply to avoid curtailing internal or intertie schedules, including wheels through the system. This adds a level of confidence and reliability not found under the OATT because internal transmission derates/outages can

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113 Self-scheduled supply is willing to provide supply regardless of price.

114 Existing tariff sections 31.4 and 34.12.

115 Tariff section 34.12.3 as revised by this filing.

116 In these instances, if there is a power balance infeasibility only, and absent transmission limitations, the market may adjust economic schedules or lower priority transactions, but it will not seek to adjust the schedules of Priority Wheeling Through transactions at the interties. In that regard, curtailment of the balanced import and export side of the wheel through does not provide relief for a supply shortfall because they are net zero (import and export) energy contribution transactions to the power balance of the system.

still allow Wheeling Through transactions to flow.[117] Unlike on the CAISO system, under the *pro forma* OATT redispatch is not an automatic feature of firm point-to-point transmission service. It is available under the circumstance's specified in sections 13.5 and 15.4 of the *pro forma* OATT (typically where existing capability on the system is insufficient to accommodate the new point-to-point service), and the transmission customer must agree to compensate the transmission provider separately (and incrementally) for such service.

Further supporting the firm nature of Priority Wheeling Through transactions is the fact that since the CAISO implemented the interim Wheeling Through tariff provisions in August 2021, it has never had to curtail Priority Wheeling Throughs under the post-HASP process. This fact demonstrates the high level of confidence and reliability afforded to Priority Wheeling Through transactions across the CAISO system.

NV Energy questions whether the term "transmission limitation" in the post-HASP Process tariff language (tariff section 34.12.3 as revised) contemplates something broader than a physical limitation of the transmission system (*e.g.*, a derate or outage).[118] NV Energy notes that curtailments under the *pro forma* OATT are driven by transmission outages and derates.[119] The CAISO proposes to change the language in the existing post-HASP process (tariff section 34.12.3) from "In the event an Intertie is

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[117] The different confluence of conditions that must occur at the same time, and the measures the market provides to avoid curtailing Priority Wheeling Through transactions, are in large part why there have been no curtailments of Priority Wheeling Throughs in the post-HASP process since the inception of the interim Wheeling Through framework in August 2021, even during the extreme heat events of September 2022.

[118] NV Energy at 20.

[119] *Id.* at 19.

constrained…" to "In the event there is a transmission limitation on an Intertie…" The Transmittal Letter for the July 28 Filing refers to transmission limitations as transmission derates or outages.[120] If the Commission were to find it necessary, the CAISO, in a compliance filing, could clarify the tariff consistent with the description in the Transmittal Letter and add the word "physical" in front of transmission limitations in Tariff section 34.12.3.[121]

The real issue raised by NV Energy and Arizona Utilities appears to be that the CAISO tariff does not expressly label Priority Wheeling Through service (or transmission service to CAISO internal load) as 7F or "firm" transmission. Essentially, they exalt form over substance. The mere name or label the CAISO ascribes to its transmission service does not affect or govern the quality of service the CAISO is providing. In any event, with the exception of ETCs and TORs, transmission service under the CAISO tariff is "new firm use."[122] Priority Wheeling Through service and service to CAISO load is, without doubt, firm transmission. Furthermore, as discussed above, Powerex's suggestion that the CAISO's transmission service to its own native load (and hence to Priority Wheeling Throughs) might not be firm strains credulity. These parties ignore that revised tariff section 23.1 expressly states that Priority Wheeling Throughs and transmission service to internal CAISO load constitute "new firm use."

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[120] Transmittal Letter at 62-63, 77-78.

[121] *See, e.g., PJM Interconnection, LLC,* 183 FERC ¶ 61,009 (2023); *PJM Interconnection, LLC,* 183 FERC ¶ 61,001 (2023); *see also PJM Interconnection, LLC,* 183 FERC ¶ 61,172 (2023) (directing PJM to revise its tariff to include an illustrative auction schedule for future years consistent with its transmittal letter).

[122] Existing tariff section 23.

Importantly, these parties' comments are belied by their actions. Priority Wheeling Through transactions sinking in certain Arizona Utilities' service areas have been e-tagged as being supported by NERC Transmission Priority 7F transmission service, and Powerex and NV Energy have submitted e-tags for Priority Wheeling Throughs using the NERC Priority 7F transmission service designation. Indeed, parties also have been submitting e-tags for their non-Priority Wheeling Through transactions as being reflecting NERC Priority 7F transmission service. Under these circumstances, the Commission should view with skepticism these parties' intimations that Priority Wheeling Through transactions might not be firm.[123] Consistent with Scheduling Coordinators' actual e-tagging practices, the CAISO will include a provision in its business practice manual that Scheduling Coordinators should tag Priority Wheeling Through transactions as NERC Priority 7F transmission.

In any event, consistent with the requests of NV Energy and the Arizona Utilities, the CAISO will continue to work with the Western Power Pool to ensure that Priority Wheeling Through transactions can support members' supply obligations under WRAP. However, it also is the responsibility of these parties who are WRAP members and who apparently agreed to the WRAP tariff provisions to demonstrate to WRAP why Priority Wheeling Throughs constitute firm transmission service.

Finally, the CAISO finds it necessary to put the WRAP transmission requirements into proper perspective. WRAP only requires that 75 percent of a members' capacity

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[123] NV Energy states there appear to be four types of wheel through transactions. NV Energy is creating needless confusion. The existing tariff and proposed tariff revisions clearly indicate there are only two types of Wheeling Through Transactions – Priority Wheeling Throughs and non-Priority Wheeling Throughs. Tariff sections 34.1 and 34.12.1, Appendix A—Definition of Priority Wheeling Through.

obligations be supported by NERC Priority 6 or 7 firm transmission service.[124] Most of the intervenors commenting on the quality of the CAISO's transmission service in relation to the WRAP requirements fail to mention this fact. Although Priority Wheeling Throughs clearly constitute firm transmission service, even assuming *arguendo* they do not, WRAP members could use Priority Wheeling Through Transactions to help meet the remaining 25 percent of their capacity obligations. No WRAP member is obtaining anywhere near 25 percent of its total resource adequacy supply from Priority Wheeling Through transactions across the CAISO system.

2. The CAISO's Timelines and Processes for Calculating and Releasing ATC Are Not Only Consistent with NERC and Commission Guidelines, They Also Enable External LSEs to Comply Fully With Any WRAP Compliance Requirements

NV Energy states that the CAISO's ATC release process unduly restricts external LSEs' ability to meet their WRAP forward showing requirements, which require members to show their resource adequacy capacity (and associated transmission) seven months before the start of the summer and winter seasons, *i.e.*, by October 31 for the summer season and March 31 for the winter season.[125] The WRAP tariff defines the summer season as June 1 through September 15 and the winter season as November 1 through March 15. NV Energy asserts that if the CAISO makes ATC available on March 1, NV Energy will only have four weeks to secure its supply to meet the March 31 winter season showing deadline.[126] WPTF suggests -- but provides no

124 WRAP tariff, section 16.3.1.

125 NV Energy at 14.

126 *Id.*

evidence to support is suggestion -- that the CAISO's proposal may not provide options for external entities to meet WRAP needs.[127] EPSA claims that for purposes of meeting the WRAP forward showing deadlines, it is problematic that the CAISO will "true up" the native load set aside quantity based on actual month-ahead Resource Adequacy and non-Resource Adequacy showings 30 days before the month.[128] EPSA claims the CAISO's proposal unfairly considers the Resource Adequacy program.[129]

As an initial matter, NV Energy fails to mention that under the WRAP tariff members have 120 days after the forward showing deadline to cure -- without financial penalty -- any forward showing deficiencies and demonstrate their firm transmission equals or exceeds their showing requirement.[130] Thus, under NV Energy's example, WRAP members actually have until July 31 to show, without financial penalty, they have secured sufficient supply and transmission to meet their winter season requirements.

NV Energy, WPTF, and EPSA all ignore the proposed tariff provisions allow a customer to obtain a Wheeling Through Priority by showing a firm power supply contract where execution is contingent upon the availability of a Wheeling Through Priority on the CAISO system.[131] Thus, contrary to NV Energy's claim, entities are not required to seek out their supply only after they have received a Wheeling Through Priority; they can support a Wheeling Through Priority Award with a previously executed contingent

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127 WPTF at 10.

128 EPSA at 9.

129 *Id.*

130 WRAP tariff at section 14.5.

131 New tariff section 23.2.

supply contract. The CAISO added this provision at the express request of external load serving entities to help them meet their resource adequacy obligations.[132]

The CAISO's ATC calculation timelines comply with the requirements of NERC Reliability Standard MOD-001-1a, and no party disputes that fact. The CAISO is calculating daily ATC values for at least the next 31 days and is calculating monthly values for at least the next 12 months (months 2-13) consistent with MOD-001-1a. If WRAP is possibly implementing deadlines that do not align with the NERC Reliability Standards, that is not the CAISO's fault.

NV Energy, WPTF, and EPSA also ignore another significant change the CAISO made to its proposal to enable external LSEs to meet their resource adequacy requirements, including WRAP requirements, more easily. Specifically, the CAISO made all Wheeling Through Priority awards in the monthly request window process (and in the daily request widow process) unconditional; they cannot be unwound in subsequent request windows or by CAISO LSE RA and non-RA contract showings in the month-ahead timeframe that exceed the capacity the CAISO set aside for native load 13-months in advance.[133] This treatment is preferable to the treatment monthly firm point-to-point transactions would receive under the *pro forma* OATT. Under Section 13.2 of the *pro forma* OATT, firm point-to-point service request for less than one year can be pre-empted by longer-term requests the initial requestor does not match up to 30-days before the commencement of monthly service. Thus, the CAISO's proposal better enables firm transmission service of less than one-year to support WRAP

[132] *See, e.g.*, September 16, 2022 Comments of Arizona Public Service Company on Straw Proposal.

[133] New tariff section 23.4 and Appendix L-1.

transactions than does the *pro forma* OATT. If the CAISO had followed the *pro forma* OATT model, Priority Wheeling Throughs would be unable to meet WRAP's forward scheduling deadline because any awards would be conditional and could be terminated depending on future Wheeling Through Priority requests and LSE month-ahead contract showings. For the above reasons, EPSA's claim that the CAISO only considered the Resource Adequacy program in developing its proposal is wholly unfounded.

Finally, as indicated in the CAISO's July 28 Filing, if month-ahead RA and non-RA contract showings are less than the quantity the CAISO set aside for native load 13-months in advance, the CAISO will release the extra capacity and make it available in the request window process. EPSA expresses concern that this is too late for external LSEs to use this capacity to comply with WRAP's forward showing requirements. The Commission should disregard EPSA's arguments for several reasons. First, as the CAISO explained in the Transmittal Letter (pp. 8-9, 14, 37-40, 70-71) this approach was necessary to align the ATC calculation framework with the RA program whereby CAISO LSEs are not required to show 100 percent of their RA Capacity until 45 days before the month (followed by a 15-day cure period).[134] EPSA's objection is essentially an objection to the CAISO's Resource Adequacy program, which the Commission has found to be just and reasonable and is beyond the scope of this proceeding.[135] Requiring CAISO LSEs to procure 100 percent of their Resource Adequacy Capacity more than seven months before the WRAP seasonal showing deadlines would

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[134] Transmittal Letter for July 28 Filing at 4, 32-33, 38.

[135] *See Cal. Indep. Sys. Operator Corp.,* 116 FERC ¶ 61,274 at P 119, *order on reh'g,* 119 FERC ¶ 61,076 at P 564.

constitute a major shift in the Resource Adequacy program without any showing the existing program has become unjust and unreasonable.

Second, the CAISO expects any capacity released in the month-ahead “true-up” will be a mere fraction of the set-aside capacity retained to serve native load. Third, EPSA ignores the possibility that month ahead contract showings by CAISO LSEs could be higher than the amount the CAISO set aside for them in the 13-month horizon, but the CAISO would be unable to unwind Wheeling Through Priorities awarded in prior request windows. EPSA’s view is decidedly one-sided. Finally, although any released capacity may be unable to meet WRAP forward showing requirements, it will be available for external LSEs to obtain shorter-term Wheeling Through Priorities that might be necessary to access additional capacity to meet near-term needs caused by regional heat waves, drought conditions, loss of supply, loss of solar generation in the early evening hours, or the loss of transmission. These events occur regularly in the West.

G. The CAISO Provides Clarifying Details Regarding the Use of Transmission Ownership Rights and Existing Transmission Contracts to Support Wheeling Through Priorities

The CAISO proposes tariff revisions in new tariff section 23.7 that would allow Transmission Ownership Rights (TORs) and Existing Transmission Contracts (ETCs) to support Wheeling Through Priorities.[136] The new tariff provisions state that Scheduling Coordinators may use their TOR capacity for that portion of the Wheeling Through

[136] Under a separate tariff section – section 23.9 -- TOR rights holders can also release their capacity to the CAISO pursuant to contract, and the CAISO will account for the released capacity in its ATC calculations. Thus, the capacity will be available for new firm uses and Wheeling Through Priority requests.

Priority from the import Scheduling Point to the export Scheduling Point that is covered by the TOR capacity the Scheduling Coordinator chooses to use.[137] The Scheduling Coordinator must use transmission capacity on the CAISO Controlled Grid to support the balance of the Wheeling Through Priority. The Scheduling Coordinator will pay the applicable Wheeling through Priority charges pursuant to tariff section 26.1.4.5 for the MW quantity of the Wheeling Through Priority.

A couple of parties ask if the CAISO can provide any additional implementation details regarding the use of ETCs/TORs to support a Wheeling Through Priority.[138] In response, the CAISO provides the following clarifications.

Scheduling Coordinators seeking to use an ETC/TOR to support a Wheeling Through Priority must follow the requirements applicable to all other entities seeking a Wheeling Through Priority in proposed tariff section 23.2.1. In particular, they will need to identify the ultimate source and sink of their Wheeling Through Priority and attest to a supporting firm power supply contract. In addition, Scheduling Coordinators will need to indicate that their request is supported in part by ETC/TOR capacity and provide the relevant information regarding the ETC/TOR (*e.g.*, eligible source and sink of the ETC/TOR and MW quantity of the ETC/TOR).[139] Like all other entities seeking a Wheeling Through Priority, the Scheduling Coordinator will need to participate in the applicable request window to obtain a Wheeling Through Priority. In particular, the

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[137] The proposed ETC/TOR-related tariff provisions also recognize that an ETC/TOR rights holder can assign its capacity to a third-party*, e.g.*, a CAISO LSE that desires to use the capacity to serve its load or a party that seeks to use such capacity to support a Wheeling Through Priority. Proposed tariff section 23.8.3.

[138] NV Energy at 21-23; 24-25 Arizona Utilities at 10.

[139] As indicated in the Transmittal Letter for the June 28 Filing, the information must be consistent with and reflect the Participating TO's Transmission and Curtailment (TRTC) Instructions under sections 16 and 17 of the existing tariff.

Scheduling Coordinator will need to obtain a Wheeling Through Priority through the request window process for the portion of their ultimate source-to-sink Wheeling Through end-to-end transaction that is not covered by their ETC/TOR capacity. No Wheel Through Priority request is necessary if the ETC/TOR covers the entire path of the wheel through the CAISO Balancing Authority Area from the initial import Scheduling Point to the ultimate export Scheduling Point -- it would simply be effectuating the path of the ETC/TOR.

Each TOR and ETC is unique. TORs are associated with capacity owned by transmission owners that are not CAISO Participating TOs, and the capacity is not part of the CAISO-Controlled grid. ETCs are existing legacy contracts with individual entities that pre-date the CAISO and have terms and conditions that differ significantly from the CAISO service model and amongst themselves. The various TORs and ETCs are not the same; they have different sources and sinks, some source and sink at Scheduling Points on the CAISO system, some do not. As such, their ability to support a Wheeling Through Priority may differ, and the CAISO must account for such differences.

A TOR or ETC may source and sink at two CAISO Scheduling Points. Under these circumstances, the Scheduling Coordinator seeking a Wheeling Through Priority with an ultimate export Scheduling Point (or ultimate import Scheduling Point) that is different than the export Scheduling Point (or import Scheduling Point) under its TOR, will need to obtain a Wheeling Through Priority for the portion of the transaction from the sink Scheduling Point of the TOR to the ultimate export point it desires. Also, it will need to schedule the two transactions separately.

Assume, for example, a Scheduling Coordinator that has a TOR from the California-Oregon border (Malin) to Tracy but ultimately seeks the ability to wheel through from Malin to El Dorado on a priority basis. The Scheduling Coordinator's TOR will support the import leg of the transaction (*i.e.*, from Malin to Tracy), but the Scheduling Coordinator will need to obtain a Wheeling Through Priority for the export leg of the transaction (*i.e.*, from Tracy to El Dorado). If the Scheduling Coordinator obtains the Wheeling Through Priority, it would schedule the transactions as follows: it will schedule its TOR from Malin to Tracy, and it will separately schedule a Priority Wheeling Through from Tracy to El Dorado. Under these circumstances, the CAISO will treat the first leg of the transaction as a TOR transaction with all of the rights and obligations that accompany a TOR schedule. The second leg of the transaction will be a Priority Wheeling Through transaction with all of the rights and obligations of a Priority Wheeling Through. Thus, the Scheduling Coordinator will submit two separate schedules, one for each leg of the transaction; however, the Scheduling Coordinator will be able to submit one e-tag for the entire transaction from Malin to El Dorado reflecting it as NERC Priority 7F. The Scheduling Coordinator will pay the applicable Wheeling Through Priority charges under tariff section 26.1.4.5.

There may be specific TORs and ETCs that do not source and sink at two CAISO Scheduling Points. Some TORs have been utilized as financial rights, with the TOR capacity released to the CAISO in exchange for CRRs, rather than the TOR being scheduled in the CAISO market. In those case the CAISO would need to confer with the TOR holder to identify and model an appropriate Scheduling Point. The TOR holder would have to obtain a Wheeling Through Priority from that Scheduling Point, subject to all of the Wheeling Through Priority requirements and ATC being available from that Scheduling Point. The Scheduling Coordinator would then schedule its ultimate transaction consistent with the discussion in the prior paragraph. The Scheduling Coordinator would be responsible for applicable costs, including congestion costs, for the portion of the end-to-end transaction that is not covered by its ETC or TOR.

The CPUC asks whether the CAISO intends to convert TORs and ETCs into Wheeling Through Priorities and whether that will prevent the CAISO from delivering Resource Adequacy resources in the north to load in the south.[140] As the CAISO Transmittal Letter and tariff language expressly state, the CAISO is not converting ETCs and TORs into Priority Wheeling Through transactions; it is allowing ETCs and TORs to support a Wheeling Through Priority from two Scheduling Points that extend beyond the source-to-sink path of the TOR. Scheduling Coordinators will still need to obtain a Wheeling Through Priority and ATC for the portion of "chain" that extends beyond the source-to-sink of the ETC/TOR. As discussed above, in its Transmittal Letter for the July 28 Filing and in the Final Proposal, the CAISO's ATC assessment will test the robustness of the interties and the internal system and will account for the volume of Resource Adequacy contracts and non-Resource Adequacy contracts supporting the native load set-aside.

In response to the CPUC's question whether the CAISO will account for known outages on key interties and internal transmission lines in determining the TTC component of the ATC calculation,[141] the answer is yes, consistent with the NERC

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140 CPUC at 3, 17-18.

141 *Id.* at 3, 19-22.

Reliability Standards and the CAISO tariff. A component of the TRM can also account for transmission topology uncertainty, consistent with MOD-008-1 and the CAISO tariff and TRM ID.

H. Allowing CAISO LSEs to Participate in the Monthly Request Window Process Is Unwarranted at This Time

Under the CAISO's proposal, CAISO LSEs can seek to obtain ATC in the rolling seven-day request window process but not in the rolling 13-month monthly request window process. SDG&E states that in July 2023, six months after the CAISO Board and WEIM Governing Body approved the proposals reflected in the July 28 Filing, the CPUC issued a decision (Decision 23-06-029) stating that LSEs obtaining ATC "at either the California-Oregon Border/Malin or at the Nevada-Oregon Border, the LSE is permitted to pair the ATC with [RA] imports to meet its RA requirements."[142] SDG&E claims that in light of this recent CPUC decision, CAISO LSEs should be able to procure ATC in all of the request window processes until all TRM is fully utilized. SDG&E states this is appropriate because the TRM is supposed to be transmission that is set aside to serve native load reliability needs.[143] Six Cities also request expansion of the monthly request window process to include CAISO LSEs. Six Cities state that, unlike Wheeling Through customers, CAISO LSEs will not have an opportunity before the month-ahead timeframe to acquire ATC during the 13-month period to respond to changing conditions.[144] Six Cities suggest this element of the CAISO's filing is severable from the

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142 SDG&E at 5.

143 *Id.* at 6.

144 Six Cities at 9-10.

balance of the filing and the Commission can order the CAISO to make such change in a subsequent filing without affecting the remainder of the proposal.[145]

Allowing CAISO LSEs to participate in the monthly request window process is unwarranted at this time. Under the CAISO's existing tariff, imports serving CAISO load must be paired with maximum import capability (MIC) to count as Resource Adequacy Capacity.[146] Such imports must be deliverable to the aggregate of load along with internal generation. The July 5, 2023 CPUC decision cited by SDG&E provides that if CPUC-jurisdictional LSEs obtain ATC through the resale process or otherwise, they can pair it with an import to meet CPUC Resource Adequacy requirements even if they do not have a MIC allocation.[147] The CPUC decision thus conflicts with the existing Resource Adequacy requirements in the CAISO tariff. The CAISO did not support this decision at the CPUC, and the CAISO Department of Market Monitoring (DMM) also raised concerns with this rule.[148] Importantly, ATC is not a substitute for MIC because it does not represent simultaneous import capability deliverable to CAISO load. Allowing LSEs to use ATC to show RA imports conflates the MIC process for imports with the external process for external parties to support wheeling through transactions that do not sink in the CAISO. At a minimum, this significant conflict would need to be

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145 *Id. at 13.*

146 Existing CAISO tariff section 40.4.6.

147 CPUC Decision D.23-06-029: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M513/K132/513132432.PDF

148 CAISO, *Reply Comments on Proposed Decision Adopting Local Capacity Obligations for 2024-2026, Flexible Capacity Obligations for 2024, and Program Refinements*, CPUC proceeding R.21-10-002, June 19, 2023, at 3-4; CAISO DMM, *Reply Comments on Implementation Track Phase 3 Proposals*, CPUC proceeding R.21-10-002, March 3, 2023, at 4.

addressed in a new stakeholder process. Changing the CAISO's MIC requirements was beyond the scope of the stakeholder process that led to the tariff revisions proposed in the July 28 Filing.

Moreover, allowing LSEs to procure ATC in the monthly request window process and use it to procure resources that would count as Resource Adequacy Capacity up to the full level of the TRM, as SDG&E suggests, would constitute an impermissible use of the TRM. Under Order No. 890 and NERC Reliability Standard MOD-008-1, TRM is used to address the following components of uncertainty:

- Aggregate load forecast
- Load distribution uncertainty
- Forecast uncertainty in transmission system topology (including but not limited to forced or unplanned outages and maintenance outages)
- Allowances for parallel path (loop flow) impacts;
- Allowances for simultaneous path interactions;
- Variations in generation dispatch (including, but not limited to, forced or unplanned outages, maintenance outages and location of future generation);
- Short-term system operator response (Operating Reserve actions);
- Reserve sharing arrangements; and
- Inertial response and frequency bias.[149]

The ATC procurement contemplated by the CPUC decision has nothing to do with addressing these components of uncertainty. Rather, its purpose is to allow LSEs to count as Resource Adequacy Capacity imports LSEs procure that are paired with ATC

149 *See* Order No. 890 at P 273; *see also* https://www.nerc.com/pa/Stand/Reliability%20Standards/MOD-008-1.pdf.

they acquire, unrelated to uncertainty. The specific type of procurement the CPUC decision contemplates properly is addressed through the Native Load set aside or a Capacity Benefit Margin (CBM).[150] Also, allowing LSEs to procure ATC up to the full TRM amount during the monthly request window process could exhaust the TRM, depriving the CAISO of the means to procure different resources to address uncertainty needs that may arise.

The CAISO's proposal already sets aside capacity for CAISO load based on the longstanding Native Load Priority. The CAISO will also set aside capacity under the TRM for load forecast uncertainty[151] and transmission and generation uncertainty.[152] This set aside essentially "forecasts" the native load needs for the rolling 13-month period and the level of import contracting that will occur during that period. Other than suggesting the TRM could be (inappropriately) used to account for the additional Resource Adequacy Capacity procurement, commenters fail to address how any ATC procurement in the monthly request window process would affect the capacity the CAISO has already set aside for native load. This potentially could result in the double-counting of capacity set aside for native load. Before considering the proposed option, the CAISO and stakeholders would need to address these and other important issues

[150] CBM is transmission capacity the transmission provider preserves for LSEs to enable their access to import generation on interconnected systems to meet their generation reliability requirements. Order No. 890 at 256. These requirements can be based on loss of load expectation studies, loss of load probability studies, deterministic risk analysis, or resource adequacy requirements established by state commissions. NERC Reliability Standard MOD-008-1. The existing CAISO tariff sets the CBM at zero, and the current tariff amendment filing proposes no changes to the CBM.

[151] This will include sub-components to account to (1) changes ordered local regulatory authorities to planning reserve margins or resource adequacy requirements not reflect in the historic resource adequacy showings and (2) load forecast changes. New Appendix –L-1, section L.1.5.

[152] This may account for the unavailability of solar energy during the net load peak period, the unavailability of hydroelectric capacity during drought conditions, or wind capacity not performing at its Net Qualifying Capacity. New Appendix L-1, section L.1.5.

(*e.g.*, the MIC issue) in a stakeholder process. The CAISO remains open to consider modifications and evolving the design in future stakeholder processes.

LSEs' participation in the daily request window does not raise the issues described above. ATC procured in the daily request window process cannot support Resource Adequacy Capacity as LSE Resource Adequacy showings are due 45 days before the month. Further, incremental ATC LSEs procure in the daily timeframe does not have implications for implicate capacity the CAISO has set aside for native load in the 13-month horizon, because in the daily timeframe, the CAISO no longer preserves capacity for native load based on historical contract showings. Finally, any ATC remaining in the daily timeframe will be residual in nature. CAISO LSEs will have already made their monthly Resource Adequacy showings, and there will have been 12 monthly request windows wherein external entities were able to procure ATC to support Wheeling Through Priorities. LSE participation in the daily request windows allows them to compete with external entities for any remaining ATC to address last-minute, immediate-term reliability issues and challenges in their service areas.

For the foregoing reasons, the Commission should reject requests to require the CAISO to modify its tariff to permit CAISO LSEs to participate in the monthly request window process at this time.

I. The Proposed Treatment of Resales of Wheeling Through Priorities Is Reasonable

1. Not Imposing a Price Cap on Resales of Wheeling Through Priorities Is Consistent with Commission Policy

DMM "suggests that the CAISO remain open to the possibility of establishing a rate for resales [of Wheeling Through Priorities] in future initiatives."[153] DMM expresses concern that lack of a price cap on resales may encourage Wheeling Through Priority holders to exercise market power. Six Cities support capping the resale rate at the Wheeling Access Charge rate the CAISO is charging the Wheeling Through Priority holder for its priority.[154] Six Cities state that implementing this change is severable from, the remainder of the CAISO's proposed tariff revisions.[155]

The CAISO did not propose a price cap on Wheeling Through Priorities because the Commission has removed the price cap on transmission capacity resales and assignments, and the CAISO believes this approach should apply absent a showing of inappropriate market behavior or abuse.[156] Consistent with its commitment to the CAISO Board and the WEIM Governing Body, the CAISO will monitor Wheeling Through Priority resales and assignments for behavior inconsistent with the Commission's rules and regulations and the intent of the proposed tariff revisions.[157] DMM can also monitor for the exercise of market power. If there is evidence of potential

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153 DMM at 15.

154 Six Cities at 13.

155 *Id.* at 14.

156 *Promoting a Competitive Market for Capacity Reassignment,* Order No. 739, 132 FERC ¶ 61,238 (2010), *order on reh'g,* Order No. 739-A, ¶ 61,137 (2011).

157 Transmittal Letter for July 28 Filing at 54, 65.

abuse, DMM can refer such inappropriate behavior to the Commission. Consequently, the CAISO remains open to the possibility of seeking a rate cap on Wheeling through Priority resales in the future if circumstances warrant. Finally, the CAISO agrees with Six Cities that this individual element of the proposal is severable from the remainder of the proposal.

2. Not Requiring Wheeling Through Priority Resales and Assignment Be Supported by an Executed Power Supply Contract Is Just and Reasonable

Six Cities request the Commission require the CAISO to modify its tariff so resales of Wheeling Through Priorities must be supported by a firm power supply contract to serve load.[158] Six Cites state that the purpose of the CAISO's tariff amendment is to establish scheduling priorities for wheeling through priorities for wheeling transactions, not to cultivate a secondary market for external parties to "participate in transactions for scheduling priorities on the CAISO system for general purposes."[159] Six Cities suggest the CAISO has abandoned its rationale for including the supply contract requirement in the first instance by allowing resales to occur with requiring a supply contract. Six Cities state this element of the CAISO's filing is severable from the balance of the filing and the Commission can order the CAISO to make such change in a subsequent filing without affecting the remainder of the proposal.[160]

The CAISO believes this situation requires a careful balancing of different factors. First, there is the desire to allocate ATC in the first instance to entities that have

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158 Six Cites at 11-12.

159 *Id.* at 12.

160 *Id.* at 13.

a legitimate need for it, as demonstrated by an executed power supply contract. On the other hand, there is the fact that Wheeling Through Priority holders will be paying for ATC for the entire month whether they actually use it or not. This is a change from the volumetric Wheeling Access Charge approach that exists under the interim Wheeling Through tariff provisions. Because a Wheeling Through Priority holder is essentially paying a demand charge for the entire month, the CAISO did not want to limit unduly the Wheeling Through Priority holder's ability to mitigate the financial impacts if it is unable to use the priority for the month or the remainder of the month. There are legitimate reasons why a Wheeling Through Priority holder might need to resell its priority, *e.g.*, loss of a resource(s) supporting the sale, a transmission outage that precludes access to the supply supporting the Wheeling Through Priority, or a last minute contract termination by the seller that occurs after the deadline in the tariff.

However, the CAISO coupled this resale ability with some precautionary measures in the tariff and elsewhere. First, new tariff section 23.8.1 requires the Wheeling Through Priority Reseller to attest to the CAISO the reason why they are reselling the Wheeling Through Priority. Second, section 23.8.1 expressly states that a Wheeling Through Priority Reseller cannot resell the Wheeling Through Priority for the purpose of enabling avoidance of the firm power supply contract requirement. Third, the CAISO committed to its Board and the WEIM Governing Body that it would proactively monitor resales (among other things) to ensure Wheeling Through Priority Resellers are not "end-running" the intent of the tariff provisions.

Six Cities downplay the effectiveness of these measures, but the CAISO disagrees. The attestation/information requirement will facilitate the CAISO's monitoring and auditing of resales to ensure they are not simply a means to avoid the power supply contract requirement. The tariff expressly puts Wheeling Through Priority Resellers on notice they will need a legitimate business reason to resell their priority for the entire month or the remainder of the month. If external entities truly need a Wheeling Through Priority to meet WRAP requirements or serve their load, resales of Wheeling Through Priorities should be rare. Multiple resales by individual Wheeling Through Priority Resellers is one potential "red flag" of behavior that might require investigation. Failure to indicate a compelling reason for the resale in the attestation is another. The CAISO will actively monitor resales and will refer to the Commission any resale behavior that appears contrary to the tariff.

The CAISO agrees that this element of the CAISO's filing is severable from other elements of the filing. Commission action on this individual resale element does not affect the justness and reasonableness of the ATC calculation, request window, post-HASP process, Wheeling Through Priority pricing, and other provisions the CAISO is proposing.

J. The CAISO's Proposal Regarding Termination or Modification of Underlying Contracts Supporting a Wheeling Through Priority Is Just and Reasonable

1. DMM's Suggested Enhancement for Future Consideration is Unnecessary at This Time

The CAISO proposes to terminate or adjust a Wheeling Through Priority if the underlying contract supporting the priority is terminated or modified in a manner inconsistent with the awarded priority and the Wheeling Through Priority holder cannot find a replacement contract by the earlier of 60 days after contract termination/modification or 11 business days before the priority holder can schedule Priority Wheeling Throughs using its priority. If the CAISO terminates or adjusts the priority under these circumstances, it will relieve the priority holder of its financial obligations associated the quantity of the terminated priority. The CAISO will release the cancelled capacity in the applicable monthly and daily request windows.

DMM suggests that as a future revision, the CAISO could consider holding the Wheeling Through Priority holder financially responsible for the entire Wheeling Through Priority even if it is terminated or adjusted downward.[161] DMM states this would eliminate the free rate option created by the current proposal and provide proper financial incentives for entities to acquire only the amount of transmission they are very likely to use supported by robust contracts that cannot be terminated easily. DMM also states that although the CAISO will release the terminated capacity in the request window process, it may be too late for other parties to procure it in advance.[162]

In the July 28 Filing (pp. 50-53), the CAISO carefully explained the reasons for its proposal and why it is just and reasonable. As the CAISO noted, there are legitimate reasons why a power supply contract may be terminated or modified (*e.g.*, loss of supply due to a plant outage) and if the termination/modification occurs before the reasonable deadline established in the proposed tariff revisions, the priority holder should be absolved of its financial obligation. As the CAISO indicated, consistent with

161 DMM at 17.

162 *Id.* DMM ignores proposed deadlines in the tariff revisions are designed to prevent the release of terminated capacity in a timeframe where other entities cannot procure it in advance. The deadlines ensure that all terminated capacity will be available for release in the rolling monthly or daily request window processes depending on the timing of the contract termination/modification. As the CAISO indicated in its Transmittal Letter for the July 28 Filing, this outcome is vastly superior to the alternative where capacity becomes available for use only at the last minute in real time because the Wheeling Through Priority holder is unable to submit a schedule because it has no supply. Transmittal Letter at 52.

the CAISO's commitment to its Board and the WEIM Governing Body at the February 1, 2023, joint meeting that approved the filing of the proposed tariff revisions, the CAISO will monitor operations under the new framework and ensure outcomes track the proposal's intent. In particular, the CAISO indicated it would monitor any Wheeling Through Priority releases to ensure Scheduling Coordinators are not executing contracts with a large number of hours just to jump to the front of the queue in the request window process and then willfully reducing the hours under those contracts to a more desirable level after they have received the priority.[163] The CAISO notes it has proposed specific information submission requirements to help it monitor for potential actions that may be inconsistent with the intent of the tariff provisions, and the CAISO is prepared to refer any suspect behavior to the Commission.[164]

In addition, the CAISO stands ready to consider DMM's suggested future enhancement if actual behavior suggests it is necessary. The CAISO believes, however, that such a future enhancement likely will be unnecessary. As the CAISO indicated in its Transmittal Letter, power purchase agreements typically contain financial penalties associated with termination or non-performance, and one party cannot unilaterally modify a contract to its advantage. DMM suggests a party desiring a Wheeling Through Priority may seek to negotiate power supply contracts with weak termination/penalty provisions. DMM ignores that most executed power supply contracts are executed using standard industry contracts that contain standard penalty and damages provisions. In any event, it takes two parties to execute a bilateral power

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[163] Transmittal Letter at 52, n. 171.

[164] *Id.*

purchase agreement, and the counterparty seller is unlikely to negotiate provisions that will allow a potential Wheeling Through Priority holder to terminate or modify a contract easily (and at the last minute), leaving it “holding the bag.” In addition to any financial penalties under the power supply contract, any Wheeling Through Priority holder seeking to game the tariff will be subject to referral to the Commission and will face potential monetary penalties. These should be sufficient deterrents to engaging in inappropriate behavior.

2. After the CAISO Initially Establishes ATC for the Rolling 13-Month Horizon, the CAISO Should Not Be Required to Reduce the Capacity set-Aside for Native Load Uses If an LSE’s Historic Contract Is Cancelled or Modified

Under proposed tariff section 23.2.3, if the firm power supply contract supporting an awarded Wheeling Through Priority is terminated or modified, the holder of the Wheeling Through Priority must notify the CAISO. The tariff allows time for the Wheeling Through Priority holder to find a replacement contract. If the Wheeling Through Priority holder cannot show a replacement contract equal to the full amount of the priority, the CAISO will cancel the priority or reduce the MW quantity of the priority. NV Energy argues that CAISO LSEs also should be required to notify the CAISO if any of their historic contracts upon which the CAISO based its initial ATC calculation for the rolling 13-month period are cancelled or modified after the CAISO initially establishes the native load set-aside amount, and the CAISO should reduce the amount of capacity set aside for native load and release the capacity for use parties seeking a Wheeling Through Priority.[165]

The CAISO notes, as an initial matter, that in advance of the CAISO establishing the initial ATC calculation for a month 13-months in advance, CAISO LSEs already are obligated to notify the CAISO of "any import contracts reflected in the historical data that will be discontinued at any time in the thirteen (13)-month horizon and will not be replaced with another import at the same Scheduling Point."[166] The Commission should reject NV Energy's request to require further notifications through throughout the13-month process. It is misaligned with the Resource Adequacy program and unnecessary, and it would create additional burdens and materially modify the CAISO's proposal. CAISO LSEs and external entities seeking a Wheeling Through Priority are not similarly situated, and NV Energy's proposal would require a regime that is contrary to the CAISO's Commission-approved Resource Adequacy program.

Notification of termination of a firm power supply contract is required of a Wheeling Through Priority holder because having such a contract is a condition precedent to being awarded a Wheeling Through Priority. Further, a Wheeling Through Priority awarded in the request window process is unconditional -- it cannot be unwound by bids in subsequent request windows or by increased CAISO LSE contract showings (above the MW quantity initially set aside for native load in the 13-month horizon) in their monthly Resource Adequacy Plans. The CAISO notes that under the *pro forma* OATT, requests for monthly firm point-to-point transmission service with terms less than

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165 NV Energy at 25-26.

166 Proposed tariff section 23.3.3.

one-year are not final until 30 days before the month, and they can be overridden by subsequent firm transmission service requests of a longer duration that are unmatched. Under these circumstances, the CAISO could have proposed a similar framework – consistent with the *pro forma* OATT -- whereby Wheeling Through Priority requests supported by a firm power supply contract are conditional up until 30 days before the month and can be supplanted by later requests supported by firm power supply contracts for more total hours. Under these circumstances, parties seeking a Wheeling Through Priority would have been treated just like CAISO LSEs -- the final capacity made available to them would be based on contract showings at T-30, and no termination/notification provisions would have been necessary.

However, at the request of NV Energy and other external LSEs, the CAISO did not go down this OATT-like path. Instead, at the request of external LSEs, the CAISO made all Wheeling Through Priority awards in the request window process unconditional. This provides them with certainty and an ability to meet WRAP obligations with firm transmission unconditionally awarded in the rolling 13-month horizon, not 30 days before the month when it would be too late. However, the trade-off for this advance guarantee and certainty was the requirement that if the power supply contract that enabled them to obtain a Wheeling Through Priority in the first instance was cancelled they would have to notify the CAISO and secure a replacement contract. Otherwise, the entire basis for them receiving a guaranteed priority that cannot be undone by subsequent higher bids or subsequent Resource Adequacy showings would evaporate.

CAISO LSEs are not similarly situated to external load. They depend entirely on the CAISO grid for service. As discussed in the Transmittal Letter, CAISO LSEs are not required to show 100 percent of their Resource Adequacy Capacity until 45 days before the applicable month, with a 15-day cure period. Requiring the CAISO to reduce the amount of capacity initially set aside for native load 13-months in advance (based on historic contracts adjusted for contract notifications under proposed tariff section 23.3.3) before monthly Resource Adequacy Plans are submitted is fundamentally at odds with California's Resource Adequacy program and would prevent the CAISO from reliably serving its native load.[167] Because the ultimate quantity set aside for native load is based on actual monthly contract showings as of T-30, a termination provision like that applicable to Wheeling Through Priorities is unnecessary.[168]

K. Consideration of the Long-Term Wheeling Through Priority Being Developed In an Ongoing Stakeholder Process Is Unnecessary for the Commission to Find the CAISO's Tariff Revisions To Be Just and Reasonable

In the July 28 Filing, the CAISO explained it is working with stakeholders in Phase 2, Track 2 of the Transmission Service and Market Scheduling Priorities initiative to develop a separate and distinct process for entities to request a Wheeling Through

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[167] Although the CAISO proposes initially to set aside ATC for native load 13-months in advance, unlike the guarantee accorded awarded Wheeling Through Priorities, if actual contract showings at T-30 are less than the amount the CAISO set aside, the remaining capacity will be released and available for other uses. Further, if actual import contract showings at T-30 exceed the amount if intertie capacity the CAISO set aside based on historical numbers, the CAISO cannot displace Wheeling Through Priorities it previously awarded based on shown power supply contracts.

[168] The native load set aside is a collective, total amount for all native load. The CAISO is not setting aside capacity on an individual LSE-by-LSE basis. NV Energy ignores that although one LSE may reduce its import purchases, another LSE may increase them. NV Energy's proposal looks preferentially only at the former but not the latter. In any event, under the CAISO's proposal, the native load set aside number is automatically "trued-up" at T-30 based on actual LSE contract showing showings. A termination notification provision like that applicable to Wheeling Through Priority holders is thus unnecessary.

Priority for a term of a year or longer, in annual increments, that commences after the 13-month horizon in which the CAISO calculates ATC. This framework would include a process for entities to fund upgrades needed to accommodate requests for longer-term Wheeling Through Priority. This process will be an enhancement to the durable Wheeling Through Priority framework proposed in the July 28 Filing. The CAISO explained why the justness and reasonableness of the CAISO's proposed tariff revisions do not depend on these future tariff revisions regarding Wheeling Through Priorities with a term of a year or longer.[169]

Powerex claims in a conclusory manner that the CAISO's proposal is incomplete and therefore unjust and unreasonable without provisions to obtain Wheeling Through Priorities for a term longer than a year.[170] Powerex, however, fails to address, let alone rebut, the CAISO's explanation in the June 28 Filing. Further, Powerex provides no specific reasons how the specific content of the CAISO's to be filed long-term Wheeling Through Priority measures affects the justness and reasonableness of the specific measures proposed herein given they involve completely separate and different tariff provisions, study and award processes, and timelines.

Powerex also urges an extension of the existing interim Wheeling Though

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[169] Transmittal Letter at 28. The process for studying and granting requests for Wheeling Through Priorities of a term one-year or longer is different than the process for studying and granting requests for the Wheeling Through Priorities proposed herein and involves separate and different tariff provisions. Also, requests for monthly and daily Wheeling Through Priorities occur in different time horizons – monthly requests occur within a rolling 13-month horizon and daily requests occur within a rolling seven-day horizon, whereas long-term requests apply to time periods after the 13-month horizon in which the CAISO calculates ATC. Because a decision on the longer-term measures will not affect a decision on the proposed tariff revisions, the Commission is not precluded from approving the proposed tariff revisions.

[170] Powerex at 16-17. NV Energy states the CAISO's filing must be judged on its own merits and not based on the potential outcome of the stakeholder process for long-term Wheeling Through Priorities. NV Energy at 15. The CAISO agrees.

provisions, conceding that those provisions will remain just and reasonable past May 31, 2024.[171] Those interim provisions, however, do not provide for Wheeling Though Priorities with a term longer than a year. As such, Powerex necessarily concedes the absence of such an enhancement cannot render the proposed Wheeling Through Priority tariff provisions unjust and unreasonable. Notably, none of the Commission orders directing the CAISO to develop a durable approach to wheeling through priority to replace the interim measures required the CAISO to add a new feature for Wheeling Through Priorities with a term of a year or longer.

The CAISO committed to filing its longer-term Wheeling Through Priority and upgrade proposal with the Commission by January 9, 2024, following stakeholder input to refine that proposal.[172] Assuming the Commission timely accepts the proposal, interested parties will be able to submit long-term Wheeling Through Priority requests annually, starting with the first window that would be open April 1-15, 2024. Unduly delaying action on the July 28 Filing, however, would add uncertainty.

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[171] Powerex at 19.

[172] July 28 Filing at 10.

IV. CONCLUSION

For the foregoing reasons, the Commission should accept the tariff revisions contained in the July 28 filing, as clarified herein, without condition or modification.

Respectfully submitted,

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Dated: September 5, 2023

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 5th day of September, 2023.

/s/ Martha Sedgley

Martha Sedgley