

136 FERC ¶ 61,055
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

California Independent System Operator Corporation	Docket Nos.	ER06-615-000
		ER02-1656-027
		ER02-1656-029
		ER02-1656-030
		ER02-1656-031

ORDER GRANTING MOTION FOR EXTENSION OF TIME

(Issued July 25, 2011)

1. On February 16, 2011, California Independent System Operator Corporation (CAISO) filed a motion for an extension of time (Motion) to further disaggregate the load zones, or default load aggregation points (LAP), used for scheduling and settling demand in the CAISO market as required by an order issued by the Commission in September 2006 in the above-referenced proceeding.¹ CAISO requests that the deadline for implementing greater default LAP disaggregation be extended from April 1, 2012 to the last quarter of 2014. As discussed below, we grant CAISO's Motion and direct CAISO to implement greater default LAP disaggregation by October 1, 2014.

I. Background

2. In the September 2006 Order, the Commission conditionally accepted CAISO's Market Redesign and Technology Upgrade (MRTU), in which CAISO proposed to calculate and settle energy charges for the majority of loads in the CAISO control area at three load zones: the service territories of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SoCal Edison), and San Diego Gas & Electric Company (SDG&E). The Commission found CAISO's approach to calculating and settling energy charges for load based upon these three zones provided a reasonable and

¹ CAISO February 16, 2011 Motion at 1 (citing *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at P 611 (2006) (September 2006 Order), *order on reh'g*, 119 FERC ¶ 61,076, at P 323-331 (2007)) (Motion).

simplified approach for introducing locational marginal pricing, while minimizing its impact on load.² However, the Commission directed CAISO to increase the number of load zones for MRTU Release 2, which would occur by April 1, 2012.³ The Commission reiterated that increasing the number of load zones would provide more accurate price signals and assist participants in the hedging of congestion charges.⁴

3. On February 16, 2011, CAISO filed its Motion requesting an extension of time to comply with the Commission's directive to further disaggregate the zones.

II. Notice, Intervention, and Responsive Pleadings

4. On March 4, 2011, the Commission issued a notice extending the period of time to March 21, 2011 for interested parties to submit answers to CAISO's Motion.⁵ Answers were filed by Alliance for Retail Energy Markets (AREM), Bay Area Municipal Transmission Group (BAMx), California Department of Water Resources State Water Project (SWP), the Public Utilities Commission of California (CPUC), Northern California Power Agency (NCPA), PG&E, and SoCal Edison.

5. PG&E and BAMx filed answers in an incorrect sub-docket and made subsequent, timely filings in the correct sub-docket. BAMx's subsequent answer included a notice of withdrawal of answer and a motion for leave to file answer out-of-time in the correct sub-docket.⁶ CAISO submitted an answer to SWP's answer.

² September 2006 Order, 116 FERC ¶ 61,274 at P 611.

³ *Id.* P 33 (CAISO stated that Release 2 of MRTU would be launched within three years of the initial April 1, 2009 release of MRTU (Release 1)).

⁴ *Id.* P 611.

⁵ Notice Extending Answer Period, Docket No. ER06-615-000, *et al.* (Mar. 4, 2011).

⁶ We note that, due to the March 4, 2011 Notice Extending Answer Period, BAMx's subsequent answer was timely. Thus, it is unnecessary to address BAMx's motion for leave to file its answer out-of-time.

III. Discussion

A. Procedural Matters

6. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2011), prohibits an answer to an answer unless otherwise ordered by the decisional authority. We will accept CAISO's answer because it has provided information that assisted us in our decision-making process.

B. CAISO Motion

7. CAISO asserts that good cause exists to grant its request for an extension of time. CAISO states that its analysis of pricing trends in the first 16 months of the MRTU market does not provide a compelling basis to impose further default LAP disaggregation by 2012.⁷ Also, CAISO contends that stakeholders oppose further default LAP disaggregation by 2012 due to lack of evidence to support more granular default LAPs and the estimated costs and burden associated with imposing further disaggregation.⁸

8. CAISO claims that the results of a technical study of pricing trends within the existing three default LAPs did not demonstrate significant price divergence between constituent pricing nodes and the default LAPs. With the exception of one region, CAISO states that it found that the majority of the average price differentials were less than or equal to \$2/MWh during off-peak hours and less than or equal to \$3/MWh during peak hours.⁹ CAISO adds that its Market Surveillance Committee's analysis of spatial price patterns did not support default LAP disaggregation short of full nodal pricing to load.¹⁰

9. However, CAISO states that the CAISO market price trends it considered during the technical study may not provide a clear picture of future price trends because the CAISO market is still incorporating certain market enhancements, such as proxy demand response and convergence bidding. CAISO claims that the additional time requested will provide more time for the market to incorporate the MRTU enhancements and allow CAISO to obtain better pricing information to determine the number or boundaries of

⁷ Motion at 11.

⁸ *Id.*

⁹ CAISO states that the exception applies to the Humboldt region, which is transmission-constrained. *Id.* at 12.

¹⁰ *Id.* at 13.

more disaggregated default LAPs and help shape new load zones.¹¹ CAISO asserts that such information will also provide greater support for default LAP disaggregation.¹²

10. CAISO explains that many stakeholders support the motion for extension to allow more time to conduct a thorough analysis of individual and system costs and benefits including implementation hurdles¹³ and transitional costs, as well as provide time to coordinate with the CPUC's policies and programs. CAISO notes that some stakeholders support a delay of only 12 months because they seek to capture the efficiencies of more granular load zones at an earlier date, while other stakeholders believe that defining more granular load zones too soon would inappropriately divert stakeholder and CAISO resources away from renewable resource integration and important market enhancements.¹⁴

11. CAISO provides a roadmap for the development of more granular load zones by the last quarter of 2014. CAISO proposes to conduct new technical and pricing studies to define new default LAPs in the third quarter of 2012, at which point CAISO will have 18 months of pricing experience with convergence bidding and increased proxy demand participation.¹⁵ In addition, CAISO states that it will begin to elicit stakeholder input on the proposed methodology and analysis before the technical studies begin. CAISO expects to complete the stakeholder process by the middle of 2013. Therefore, CAISO requests an extension of time to implement further default LAP disaggregation by the last quarter of 2014.

¹¹ *Id.* at 10-11.

¹² *Id.* at 17.

¹³ CAISO states that stakeholders have indicated that one such implementation hurdle is the need for load serving entities to develop load profiles for different geographies. *Id.* at 8. CAISO states that, in particular, load serving entities have noted that the timing of the installation of smart meters may pose a hurdle to developing load profiles for smaller load zones, expressed concern over the ability to accurately forecast load for smaller geographies and noted the need to ensure adequate metering for more nodal load zones. *Id.* CAISO adds that load serving entities, community-choice aggregators, direct access providers, and marketers note the need to coordinate any further disaggregation of load zones with state policy and programs established by the CPUC. *Id.*

¹⁴ *Id.*

¹⁵ *Id.* at 17.

Parties' Answers

12. All parties support CAISO's Motion. Parties agree with CAISO that additional time is necessary to study further default LAP disaggregation, including analyzing the costs and benefits of additional disaggregation and the pricing effects of new market enhancements.

13. However, SWP requests that the Commission ensure that CAISO and the Commission continue to resolve certain issues during the extension of time and avoid delaying the disaggregation of the default LAPs beyond the date proposed in the Motion. SWP asks CAISO and the Commission to address optimizing the use of market resources to improve reliability; reducing the existing financial burden to market participants due to the lack of granular prices; revising the proxy demand response program; encouraging price-responsive demand; and devising additional means of localized demand response and market mitigation.¹⁶ BAMx asks the Commission to require CAISO to evaluate and address how default LAP disaggregation will affect congestion revenue rights allocation during its analysis of costs and benefits.¹⁷ BAMx also requests that the Commission direct CAISO to honor its commitment to begin collaborating with stakeholders before the middle of 2013 and allow stakeholders to suggest evaluation criteria and study approaches.¹⁸ The CPUC asks the Commission to defer to the results of the expected 2013 CAISO stakeholder process when determining if and how CAISO should continue with further disaggregation.¹⁹ Lastly, AREM urges the Commission to refrain from approving proposals that undermine competitive markets, unless significant benefits can be demonstrated.²⁰

CAISO Answer

14. CAISO underscores that no party opposes its Motion.²¹ CAISO argues that the Commission should not condition its decision on the Motion or the resolution of the issues identified by SWP²² because SWP does not state that the current LAP structure has

¹⁶ SWP Answer at 2-3.

¹⁷ BAMx Answer at 8.

¹⁸ *Id.* at 9.

¹⁹ CPUC Answer at 2.

²⁰ AREM Answer at 3.

²¹ CAISO Answer at 1.

²² *See supra* P 13.

caused such issues.²³ In addition, CAISO claims it is unsure how it would be able to address the totality of SWP's issues in the interim because its current stakeholder plan focuses on default LAP disaggregation only.

Commission Determination

15. We grant the Motion. We find that more pricing information and additional experience with the MRTU design changes, such as proxy demand response and convergence bidding will allow CAISO to develop a proposal to further disaggregate the default LAPs, as directed. Accordingly, we grant the Motion and direct CAISO to further disaggregate the default LAPs by October 1, 2014. We also accept CAISO's commitment to begin an open stakeholder process to consider stakeholder input on the methodology for analyzing the market's pricing data and for default LAP disaggregation design. We decline to address the issues raised by SWP, BAMx, CPUC and AREM²⁴ because they do not concern whether good cause exists to grant the Motion; and, therefore, they are beyond the scope of this proceeding.

The Commission orders:

(A) CAISO's Motion is hereby granted, as discussed in the body of this order.

(B) CAISO is hereby directed to further disaggregate the default LAPs by October 1, 2014, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

²³ CAISO Answer at 3-4 (CAISO's answer was limited to responding to SWP's answer).

²⁴ *See supra* P 13.