

149 FERC ¶ 61,232
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 18, 2014

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER15-66-000

California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Attn: Anthony J. Ivancovich, Esq.

Reference: Grid Management Update Proposal

Dear Mr. Ivancovich:

1. On October 9, 2014, pursuant to section 205 of the Federal Power Act (FPA),¹ the California Independent System Operator Corporation (CAISO) filed revisions to its open access transmission tariff (Tariff) to revise its grid management charge (GMC).² This order accepts CAISO's proposed Tariff revisions, effective January 1, 2015, as requested.
2. CAISO proposes several Tariff revisions related to the GMC, specifically (1) an increase in the revenue requirement; (2) changes to the allocation of the revenue requirement to service categories; and (3) updated service fees.³

¹ 16 U.S.C. § 824d (2012).

² The GMC is a monthly charge assessed to all CAISO scheduling coordinators to ensure that CAISO recovers its revenue requirement—i.e., administrative, operating, and capital costs.

³ Currently, the GMC includes three service categories, which consist of (1) the market services category; (2) the systems operations category; and (3) the congestion revenue rights category. The GMC also includes four administrative fees, which consist

(continued...)

3. In further detail, CAISO proposes a \$3 million increase in its revenue requirement from the current \$199 million, which expires at the end of 2014, to \$202 million, based on long-term budget projections and historical revenue requirement trends. CAISO explains that its proposed \$202 million revenue requirement is less than its projected maximum revenue requirement of \$205 million over the next five to seven years; however, CAISO asserts that it can extract sufficient savings to remain below this level in the coming years.⁴

4. CAISO also proposes to eliminate the sunset date on the revenue requirement, which has been reflected in previous GMC update filings.⁵ CAISO contends that establishing a revenue requirement without a sunset date provides an even greater incentive for CAISO to ensure that costs remain below the \$202 million cap, so as to avoid the need for unnecessary GMC filings. In place of the sunset date, CAISO proposes to revise its Tariff to reflect an obligation to conduct a cost-of-service study in consultation with stakeholders on a regular, three-year cycle, with the next cost-of-service update taking place in 2017. CAISO explains that, if the updated study demonstrates a need to revise service category allocations or service fees and administrative charges, it will submit a section 205 filing to the Commission to reflect these changes.⁶ In conjunction with its annual budget approval process, CAISO asserts that the three-year cost-of-service study will foster its commitment to providing cost transparency to its customers and regular opportunities for customers to provide input on its budget, costs, and rates.⁷

5. Based on its 2015 cost-of-service study, CAISO proposes revisions to its allocation of the proposed \$202 million revenue requirement to the three service

of (1) the bid segment fee; (2) the congestion revenue rights transaction fee; (3) the inter-scheduling coordinator fee; and (4) the scheduling coordinator ID fee; in addition to a fixed charge for transmission ownership rights holders. CAISO October 9, 2014 Filing (CAISO Filing) at 3-4.

⁴ *Id.* at 11.

⁵ For example, section 11.22.25 of CAISO's Tariff currently states that the GMC "shall not exceed \$197 million for 2012 and \$199 million for 2013 and 2014." *See* CAISO Tariff § 11.22.2.5.

⁶ CAISO Filing at 12; *see* proposed Appendix F, Schedule 1, Part A.

⁷ *Id.* at 13.

categories and its administrative fees. First, CAISO proposes to revise the allocation of the \$202 million revenue requirement to the system operations category from 69 percent to 70 percent and the amount allocated to the congestion revenue rights category from four percent to three percent.⁸ Second, CAISO proposes to provide for the Energy Imbalance Market (EIM) administrative charge of \$0.19 per megawatt-hour, which was established in a prior Commission order.⁹ Third, CAISO proposes to reduce the charge assessed to transmission ownership rights holders from \$0.27 to \$0.24 per megawatt-hour.¹⁰ Finally, CAISO proposes several other Tariff revisions to eliminate outdated language and provide clarity and consistency. These revisions include, for example, a statement clarifying that CAISO credits the transmission ownership rights charge back against system operations revenues, an added definition for the EIM charge, and a requirement to provide stakeholders with a draft budget book for the next calendar year.¹¹

6. CAISO also requests waiver of section 35.13 of the Commission's regulations, which include the requirement to submit full Period I and Period II data, workpapers, and cost-of-service statements.¹² In support of its request, CAISO asserts that the GMC is a revenue requirement vetted through its annual budget process with stakeholders and trued up to actual costs. In addition, CAISO states that the Commission has previously granted waivers of the requirements to provide such data in other cases involving transmission formula rates.¹³

⁸ CAISO does not propose revisions to the market services category, which remains at 27 percent. *Id.* at 9.

⁹ CAISO explains that the EIM administrative charge is not technically a GMC rate but, instead, "a source of miscellaneous revenue that ultimately serves to reduce the revenue requirement but is not credited back to any of the service categories." *Id.* at 4, 10, 15 (citing *Cal. Indep. Sys. Operator Corp.* 147 FERC ¶ 61,231, at P 189 (2014)).

¹⁰ *Id.* at 10-11.

¹¹ *Id.* at 14-15.

¹² CAISO had also requested waiver of the requirements in section 35.13 of the Commission's regulations in its 2012 GMC update proposal. *See* CAISO, Revised Grid Management Charge Proposal, Docket No. ER11-4000-000 (filed July 5, 2011).

¹³ CAISO Filing at 16 (citing *PPL Elec. Utils. Corp.*, 125 FERC ¶ 61,121, at PP 40-41 (2008); *Pub. Serv. Elec. & Gas Co.*, 124 FERC ¶ 61,303, at PP 23-24 (2008);

7. Finally, CAISO requests that the Commission accept its proposed Tariff revisions to become effective on January 1, 2015, noting that Commission action prior to January 1, 2015, would assist in allowing CAISO to implement the revised charge on the effective date. CAISO also asks the Commission to issue an order on the instant filing on an earlier date so that it can implement the revised GMC on the requested effective date.

8. Notice of CAISO's filing was published in the *Federal Register*, 79 Fed. Reg. 62,611 (2014), with interventions and protests due on or before October 30, 2014. Timely interventions were filed by the Alliance for Retail Energy Markets; California Department of Water Resources State Water Project; the City of Santa Clara, California; Cogeneration Association of California; Imperial Irrigation District; Pacific Gas and Electric Company; and Southern California Edison Company. A timely motion to intervene and comments were filed by Modesto Irrigation District (Modesto).

9. Modesto states that it does not oppose the instant filing or CAISO's proposal to eliminate the sunset date for the revenue requirement, noting that removing the sunset date encourages CAISO to maintain the \$202 million revenue requirement for a longer term.¹⁴ Nevertheless, Modesto urges the Commission to be cautious in future filings to the extent that CAISO proposes additional fees or piecemeal adjustments to the GMC rate design.¹⁵ Modesto explains that there may be a point when substantial market changes and adjustments to the GMC warrant a comprehensive review of the entire GMC rate, not just the specific adjustments proposed at that time. Thus, Modesto highlights the need for continued, active participation by market participants in CAISO's stakeholder process, in addition to monitoring from the Commission, noting several areas in CAISO's budget process and stakeholder process that affect GMC rates and require close monitoring.¹⁶

Okla. Gas & Elec. Co., 122 FERC ¶ 61,071, at PP 6, 41 (2008); *Commonwealth Edison Co.*, 119 FERC ¶ 61,238, at P 94 (2007)).

¹⁴ Modesto notes that it did, however, oppose the removal of the sunset date in CAISO's stakeholder process. Modesto October 30, 2014 Comments at 6.

¹⁵ *Id.* at 7.

¹⁶ These areas include the annual stakeholder initiatives catalog process, the allocation of costs within the appropriate budget period, and reserves for capital projects. *Id.* at 7-8.

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motions to intervene serve to make the entities that filed them parties to the proceeding.

11. We find that CAISO's proposed Tariff revisions to update the GMC are just and reasonable and, therefore, we accept them, effective January 1, 2015, as requested. We note that any changes to CAISO's GMC, including revisions to service category allocations or administrative charges, that result from CAISO's three-year cost-of-service study require the submission of a FPA section 205 filing to the Commission.¹⁷ We also encourage CAISO and market participants to closely monitor the impact of future CAISO market initiatives on the rates calculated through the GMC. Finally, we find good cause to grant CAISO's request for waiver of section 35.13 of the Commission's regulations to submit certain financial data and cost-of-service statements, consistent with Commission precedent in CAISO's previous GMC update filings.¹⁸

By direction of the Commission.

Kimberly D. Bose,
Secretary.

¹⁷ See proposed Appendix F, Schedule 1, Part A.

¹⁸ See, e.g., *Cal. Indep. Sys. Operator Corp.*, 136 FERC ¶ 61,236 (2011).