

142 FERC ¶ 61,072
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony T. Clark.

California Independent System Operator Corporation Docket No. ER13-449-000

ORDER ON PROPOSED TARIFF REVISIONS

(Issued January 29, 2013)

1. On November 21, 2012, pursuant to section 205 of the Federal Power Act (FPA),¹ the California Independent System Operator Corporation (CAISO) filed tariff revisions to address circular scheduling practices that are already prohibited under CAISO's tariff. In this order, the Commission accepts CAISO's tariff revisions, effective February 1, 2013, as requested, subject to CAISO's submission of a compliance filing. As described below, the Commission finds that CAISO's proposed revisions are just and reasonable and not unduly discriminatory.

I. Background

2. CAISO describes the practice of circular scheduling as the delivery of market import and export schedules that have a source and sink in the same balancing authority area with transmission segments in a second balancing authority area.² According to CAISO, certain circular schedules can create operational difficulties and market inefficiencies in several ways. CAISO states that it is attempting to address one category of circular scheduling, where a single market participant executes the circular schedule through import and export schedules, by eliminating the financial incentive to engage in such prohibited transactions. CAISO states that while other practices can create schedules that are circular in nature and may violate Commission rules against market

¹ 16 U.S.C. § 824d (2006).

² CAISO November 21, 2012 Filing (CAISO Filing) at 2.

manipulation and submitting false information, the instant filing does not attempt to address these transactions through settlement rules.³

3. CAISO explains that circular schedules create operational difficulties for CAISO by introducing power schedules that create no actual power flows. CAISO states that its model accounts for these power schedules even though they do not represent actual power flowing across these lines. This incorrect modeling can produce sub-optimal unit commitment, and can mask congestion that will manifest in real time. CAISO states that these operational difficulties are compounded because certain resources have relatively long start up times, and are thus not available in real time to address these operational difficulties as they might be in the day-ahead market.

4. CAISO states that not only does circular scheduling create inaccurate congestion in its models, but it can also distort the actual congestion relief that CAISO operators are able to effectuate through curtailment of the intertie schedules. CAISO states that, for example, if its operators curtail intertie schedules to manage congestion and those schedules are circular, the curtailments would not cause a balancing authority to increase or decrease generation under its control, and would be ineffective in relieving congestion. CAISO states that circular scheduling can also create economic inefficiencies since CAISO must pay market participants for their circular schedules based on the premise that they provide congestion relief even if no actual power flows and no congestion relief is provided.⁴

5. CAISO notes that one example of critical situations in which CAISO must rely on effective congestion management is its operation of the California Oregon Intertie, known as Path 66. CAISO states that Path 66 was subject to curtailments from January 1, 2012 through mid-October 2012 during 1584 hours. CAISO states that these curtailments occur when path loading reaches critical levels, after which CAISO has 30 minutes to restore flow back within Path 66's operational transfer capability. CAISO states that, when these situations occur, it does not have time to issue curtailments and then assess whether those curtailments were effective.⁵

6. CAISO states that its definitions for "Wheeling Through" and "Wheeling Out" transactions provide guidance for how circular schedules are treated under CAISO market rules. CAISO's definitions require that a wheeling transaction provide service to

³ *Id.*

⁴ *Id.* at 4.

⁵ *Id.* at 5.

loads outside the CAISO balancing authority. Thus, to the extent that a wheeling transaction does not service load, the transaction could constitute the submission of false information. In addition, CAISO explains that the Commission has indicated that circular scheduling constitutes market manipulation.⁶

II. CAISO's Filing

A. Prohibition on Circular Scheduling

7. CAISO states that while circular scheduling is currently prohibited, as described above, it argues that it is necessary to adopt defined consequences for these practices to remove the financial incentive for these transactions. CAISO states that currently, the primary mechanism for preventing this activity is an inquiry by CAISO's Department of Market Monitoring followed by an investigation by the Commission's Office of Enforcement. CAISO contends that relying on these investigations does not remedy the immediate negative impact that circular scheduling has on its markets.⁷

8. CAISO's proposed tariff provision in section 30.5.5.1 explicitly prohibits scheduling coordinators from submitting bids that result in an awarded schedule that has an e-Tag reflecting a source and sink in the same balancing authority area.⁸ This prohibition would apply both to schedules that originate inside of CAISO's balancing authority area and to those that originate outside of CAISO's balancing authority area, so long as part of the closed loop is within CAISO. The settlement rule does not apply to circular schedules resulting from multiple e-Tags or from multiple scheduling coordinators. CAISO emphasizes that circular scheduling activity not covered by the settlement rules will continue to be addressed by the Department of Market Monitoring through referrals to the Commission's Office of Enforcement.⁹

⁶ *Id.* at 6 (citing *Cal. Indep. Sys. Operator Corp.*, 106 FERC ¶ 61,179, at P 142 (2004)).

⁷ *Id.*

⁸ *Id.* at 7.

⁹ *Id.*

9. CAISO notes that, early in its stakeholder process, it proposed to prohibit multiple scheduling coordinator circular schedules, but this generated strong stakeholder opposition.¹⁰ Stakeholders asserted that bilateral transactions conducted on certain trading platforms can include chains of transactions where the individual party does not know the identity of various counterparties until the time comes to submit the e-Tag.¹¹ Accordingly, stakeholders argued that this could lead to scheduling coordinators unwittingly submitting prohibited bids, and that this could lead to a chilling effect on legitimate market transactions. CAISO therefore decided not to include rules on multiple scheduling coordinator circular schedules. CAISO emphasizes, however, that its decision not to impose additional rules on multiple scheduling coordinator circular schedules should not be read as encouragement for market participants to submit bids leading to such schedules. CAISO encourages scheduling coordinators to exercise due diligence to avoid transactions that result in an e-Tag with a source and sink in the same balancing authority area. CAISO states that it will monitor for such behavior and consider where additional actions are necessary in the future.

B. Exceptions to the Prohibition on Circular Scheduling

10. CAISO identifies four exceptions to the prohibition on circular scheduling. These exceptions cover: (1) schedules that include a transmission segment on a direct current (DC) intertie; (2) schedules involving a pseudo-tie unit delivering energy to its attaining¹² balancing authority area; (3) schedules used to serve temporarily stranded generation or load; and (4) schedules using wheel-through transactions to serve load outside a Participating Transmission Owner's system.¹³

¹⁰ Multiple scheduling coordinator circular schedules are circular schedules that result from the transactions of two or more scheduling coordinators, such as when one scheduling coordinator generates the export portion of the transaction and another receives the import portion of the transaction.

¹¹ CAISO Filing at 8.

¹² A pseudo-tie is a functionality where the output of a generating unit physically located in one balancing authority area is deemed to be produced in a different balancing authority area. The balancing authority area where the pseudo-tied generator is deemed to be produced is known as the "attaining" balancing authority area. The attaining balancing authority area takes operational control of the pseudo tied generator, despite its physical location in a different balancing authority area. *See* Appendix A, CAISO Tariff.

¹³ CAISO Filing at 9.

11. Regarding its fourth exception, CAISO explains that a wheeling through transaction that has demonstrated that it is serving load located outside the transmission and distribution system of a participating transmission owner will not be prohibited. CAISO states that if there is an outage on a line outside CAISO, a party may legitimately need to wheel its power through CAISO to serve a load within its own balancing authority area.¹⁴

12. CAISO emphasizes that these exceptions do not provide blanket immunity; there is an exception to the four exceptions. Thus, CAISO proposes a provision providing that, if the circumstances leading to one of the four exceptions were excluded from consideration and the resulting schedule still results in a source and sink in the same balancing authority area, then the schedule will be prohibited. CAISO states that this is meant to avoid creating a loophole through the exceptions where a party intending to create a circular schedule could “immunize” itself by adding an element that would be subject to one of the four exceptions. Finally, CAISO notes that even if a schedule meets the defined exceptions, it may still be investigated by the Department of Market Monitoring if there is reason to believe the schedule is part of an overall manipulative scheme.¹⁵

C. Enforcement of the Prohibition

13. To enforce the prohibition on circular scheduling, CAISO proposes a settlement rule under which the import portion of the schedule will be settled at the lower of the locational marginal price (LMP) for the intertie where either the import or export is scheduled. CAISO states that the relevant LMP will be the LMP in the market where the import is awarded. CAISO states that under this rule, a scheduling coordinator attempting to arbitrage the price between two interties by submitting a circular schedule will, at best, receive no energy market revenue from the transaction.¹⁶

14. CAISO notes that certain stakeholders argued that CAISO should simply reject schedules that violate the prohibition. CAISO argues that this is not a practical alternative. CAISO states that it is unable to identify bids that violate the proposed rules at the time the market is run, since it would not yet have access to e-Tags. CAISO states

¹⁴ *Id.*

¹⁵ *Id.* at 11.

¹⁶ *Id.*

that it would have to reject the schedules after the market is run, which would not leave enough time for CAISO to analyze all the awarded schedules for the upcoming hour.¹⁷

15. CAISO notes that in 2004, the Commission forbade CAISO from imposing its own penalties for circular scheduling, finding that, “[d]ue to CAISO’s inability to track schedules of imports, among other things, this behavior cannot be categorized as objectively identifiable.”¹⁸ However, CAISO notes the Commission has found that provisions that address matters of ordinary tariff administration or mitigation and are not intended to punish a market participant are not prohibited.¹⁹ The Commission has also stated that the rescission of payments is not an action intended to punish, but rather is an administrative CAISO function intended to correct market outcomes.²⁰ Based on this recent precedent, CAISO argues that that the proposed settlement rule is consistent with the Commission’s guidance on CAISO’s penalty authority.

D. Congestion Revenue Rights (CRR) Settlement Rule

16. CAISO also proposes a rule providing that parties submitting prohibited schedules cannot profit from the altered congestion patterns that benefit its CRRs. Specifically, CAISO asserts that if a market participant holds counterflow CRRs, it could benefit by using circular schedules to reduce congestion, and its proposal would remove such incentive.²¹ Thus, if a prohibited schedule meets three requirements, CAISO proposes to resettle any additional CRR payments a scheduling coordinator would have received from the congestion created or relieved by the circular schedule. The three requirements are: (1) that part of the schedule resulting from the prohibited bids must be in the day-ahead market, since CRRs are settled based on day-ahead congestion; (2) the scheduled megawatts from the part of the e-Tag using the CAISO grid must have a positive power transfer distribution factor on a congested transmission element; and (3) the party

¹⁷ *Id.* at 11-12.

¹⁸ *Id.* at 12 (citing *Cal. Indep. Sys. Operator Corp.*, 106 FERC ¶ 61,179, at P 142 (2004)).

¹⁹ *Id.* at 13 (citing *PJM Interconnection, LLC*, 134 FERC ¶ 61,040, at P 18 (2011)).

²⁰ *Id.* (citing *Cal. Indep. Sys. Operator Corp.*, 135 FERC ¶ 61,016, at P 10 (2011)).

²¹ *Id.* at 14.

submitting the prohibited bids would receive payments or have to make payments²² from the CRR on the congested transmission element.²³

E. Miscellaneous Revisions

17. In addition to the changes described above, CAISO proposes several miscellaneous changes to accommodate the new rules. CAISO updates the definitions of “Wheeling Through” and “Wheeling Out” so that the defined sources of the transactions are not particular generating units, but rather generation outside and inside the CAISO grid, respectively. CAISO also redefines the sink of these transactions as a delivery point outside CAISO’s grid rather than a particular load.²⁴

18. CAISO also updates a section where it establishes a process to create price correction LMPs in cases where CAISO revises an LMP upward such that some of the demand becomes uneconomic. CAISO clarifies that it will not calculate such price correction LMPs for settlement of exports that are part of a schedule resulting from prohibited bids.²⁵

19. Finally, CAISO proposes to amend its definition of “bid cost recovery eligible resources” to exclude resources with prohibited schedules, as described above. Without this rule, the entity that bids to produce a circular schedule could be eligible for bid cost recovery, an uplift mechanism that ensures market participants recover their bid costs. This would allow entities, in some circumstances, to recapture some of the rescinded payments imposed by the settlement rule. CAISO states that these schedules should not be eligible to recapture profit from a prohibited transaction through bid cost recovery.²⁶

III. Notice of Filing and Responsive Pleadings

20. Notice of the filing was published in the *Federal Register*, 77 Fed. Reg. 71,408 (2012) with interventions and comments due on or before December 12, 2012. Timely

²² This would indicate that the party stands to benefit from altering the apparent congestion on the transmission element through a circular schedule.

²³ CAISO Filing at 14.

²⁴ *Id.* at 15-16.

²⁵ *Id.* at 16.

²⁶ *Id.*

interventions were filed by Calpine Corporation, NRG Companies, Macquarie Energy LLC, Exelon Corporation, J.P. Morgan Ventures Energy Corp., Dynegy Moss Landing, LLC, Southern California Edison Co., California Department of Water Resources State Water Project, the City of Santa Clara, California and the M-S-R Public Power Agency, and Six Cities, California. Timely motions to intervene and supporting comments were filed by Pacific Gas and Electric Co. (PG&E) and Northern California Power Agency (NCPA). Timely motions to intervene and protests were filed by Arizona Public Service Co. (APS), Powerex Corp. (Powerex), and Western Power Trading Forum (WPTF). CAISO filed an answer on December 27, 2012. Subsequently, APS filed a response to CAISO's answer.

IV. Discussion

A. Procedural Matters

21. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2012), prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We will accept answers filed by CAISO and APS because they have provided information that assisted us in our decision-making process.

B. Substantive Matters

22. The Commission finds that CAISO's prohibition on single scheduling coordinator circular scheduling, and the accompanying settlement rules are just and reasonable and not unduly discriminatory. We have previously found that circular scheduling is an anticompetitive practice which results in distorted market prices and congestion payments that would not have been tendered in the absence of these schedules.²⁷ In its current filing, CAISO identifies legitimate concerns that justify a tariff prohibition on these transactions. As CAISO has noted, these transactions have the potential to create sub-optimal unit commitments as well as false congestion that CAISO cannot resolve in real

²⁷ *Cal. Indep. Sys. Operator Corp.*, 106 FERC ¶ 61,179, at P 142 (2004). The Commission recently approved a settlement in which staff determined that Deutsche Bank's false designation of Wheeling Through transactions accompanied by the scheduling of transmission outside the CAISO was fraud as part of a violation of the Anti-Manipulation Rule, 18 CFR § 1c.2, and also constituted the submission of inaccurate information in violation of 18 CFR § 35.41(b). *Deutsche Bank Energy Trading, LLC*, 142 FERC ¶ 61,056 (Jan. 22, 2013).

time. CAISO also notes that, certain market participants may be paid for congestion relief when no such relief occurred because there was no actual flow of power from the circular schedule.

23. Given these potential difficulties and inefficiencies, it is appropriate that CAISO create market rules that discourage the execution of circular schedules before they occur. Specifically, we find CAISO's proposal establishes objective criteria that identify circular schedules involving single scheduling coordinators and settles such schedules in a manner that removes the incentive to engage in this type of scheduling. We also find the rules to be useful tools that help CAISO manage real-time congestion of actual energy flows on its system. We therefore find that CAISO's proposed settlement rules are just and reasonable, and not unduly discriminatory. Accordingly, we conditionally accept CAISO's tariff revisions, subject to CAISO submitting a compliance filing, as discussed below.

1. Whether CAISO's Definitions are Overly Broad

24. In its limited protest, APS states that, while it supports CAISO's effort to disincentivize scheduling practices that are potentially manipulative, CAISO's proposed settlement rules may be overly broad and prevent legitimate market transactions.²⁸ APS is particularly concerned with CAISO's statement that it would consider a referral to its Department of Market Monitoring if it believes that a market participant intentionally sought to circumvent the proposed settlement rules by chopping up the path of what is essentially a single transaction. APS states that it simultaneously submits offers to buy and sell at various interconnection points with CAISO. APS states that while these transactions are not linked and do not have the same e-Tag, and as such do not appear to be subject to the settlement rule, the bids and offers are generated in the same balancing authority area and may be flagged by CAISO as manipulative transactions. Thus, APS requests that the Commission direct CAISO to: (1) clarify the types of transactions prohibited by the rules; (2) set forth a list of transactions not intended to be prohibited; and (3) specify the criteria by which CAISO will determine whether a transaction has been intentionally chopped up to circumvent the scheduling rules.

25. WPTF states that CAISO's proposal to treat schedules as circular if the import and export are split between the day-ahead market, the hour-ahead scheduling process, or some combination thereof, is counterproductive and contrary to efficient market design.²⁹

²⁸ APS December 12, 2012 Protest (APS Protest) at 3-5. APS January 14, 2013 Answer (APS Answer) at 1-3.

²⁹ WPTF December 12, 2012 Protest (WPTF Protest) at 5-6.

WPTF states that a beneficial feature of CAISO's market is the ability to alter schedules in response to changing conditions between the day-ahead and hour-ahead markets. WPTF argues that, under CAISO's proposal, entities bidding at the interties would be discouraged from submitting a bid in the hour-ahead market once a schedule had been awarded in the day-ahead market. Further WPTF argues that CAISO's settlement rule is arbitrary since resources scheduled on the same e-Tag in the hour-ahead and day-ahead market would be prohibited, whereas transactions scheduled on different e-Tags would not be prohibited.

26. WPTF also argues that CAISO's definition of circular scheduling is overly broad and may define many wheel-through transactions as circular simply because the points of entry and exit are in the same balancing authority area.³⁰ WPTF argues that many wheel-through transactions are legitimate ways to deliver power between points in a balancing authority area. WPTF argues that the Commission should direct CAISO to conduct a stakeholder process to further narrow the definition of circular scheduling beyond the criteria of sourcing and sinking in a single balancing authority area.

27. In response to APS, CAISO states that it is not in a position to offer guidance on what specific activity would be construed by the Department of Market Monitoring as chopping up an e-Tag to create a circular schedule and CAISO cannot speak for what action the Department of Market Monitoring would take. CAISO notes that APS' protest does not relate to the specific tariff provisions proposed in this docket by CAISO and thus is outside the scope of this filing.³¹ CAISO further states that its comment about submitting the two legs of a circular schedule on separate e-Tags was meant as recognition of one way that such an evasion could happen under the proposed settlement rules. CAISO explains that, without knowing all of the facts and circumstances, it would not be able to answer APS' theoretical question.

28. In response to WPTF, CAISO argues that applying the proposed settlement rules across markets is a basic element of the proposal.³² CAISO states that limiting the proposal to one market would create too large of an exception to the rule and would make it too easy to avoid settlement rules. Further, CAISO states that when a scheduling coordinator needs to adjust its day-ahead schedule to account for changed circumstances, it can submit a bid in the hour-ahead scheduling process to accomplish its goals without triggering the proposed circular scheduling rules.

³⁰ *Id.* at 7-8.

³¹ CAISO December 27, 2012 Answer (CAISO Answer) at 9.

³² *Id.* at 11.

29. CAISO also disagrees with WPTF's concerns regarding the proposed definitions inappropriately capturing wheel-through transactions that source and sink in the same balancing authority area. CAISO states that business needs cited by WPTF for having a schedule that sources and sinks in the same balancing authority area, such as WPTF's example of avoiding transmission fees, must be balanced with the operational concerns identified by CAISO.

Commission Determination

30. CAISO has crafted four exceptions to its settlement rules that will allow transactions needed to serve load. For example, APS and WPTF's arguments that potentially circular schedules may be needed to serve isolated or stranded load is covered by CAISO's exceptions. We are not convinced that the proposed market rules will discourage a great number of legitimate business transactions to serve load or to relieve congestion.

31. APS argues that CAISO has not been sufficiently clear regarding the practices covered by the settlement rule. We disagree with APS. CAISO has made it clear that the settlement rule would cover transactions by a single scheduling coordinator through a single e-Tag, while more complex transactions employed in an attempt to avoid the settlement rule would be monitored by its Department of Market Monitoring. The Commission believes that these statements have provided sufficient clarity on how various potentially circular transactions would be treated.³³

32. We disagree with WPTF that CAISO should craft an exception to allow transactions that occur across the day ahead and the hour-ahead markets. We agree with CAISO that circular transactions executed across the two markets are not significantly different from circular transactions executed in a single market, and that an exception that allows circular transactions across two markets would make CAISO's settlement rule too easy to avoid. Thus, any potential lost market efficiency cited by WPTF must be weighed against the difficulties cited by CAISO. The Commission finds that the congestion management issues cited by CAISO are serious enough to warrant these restrictions.

33. We also disagree with WPTF that CAISO's decision to limit the transactions to which the settlement rule applies to transactions involving a single e-Tag is arbitrary. CAISO's decision to limit its settlement mechanism to transactions that are relatively easy to identify as circular is appropriate.

³³ APS Answer at 3.

34. Finally, to the extent that certain single balancing authority area transactions may be limited by the proposed settlement rule, for the same reasons cited above, we agree with CAISO that the advantages of the proposed tariff revisions outweigh protestors' limited concerns.

2. Specificity of CAISO's Exceptions

35. APS protests the exceptions CAISO lists to the settlement rules on the grounds that certain aspects are not sufficiently specific.³⁴ APS argues that CAISO does not specify the type of evidence required to demonstrate that a potentially prohibited wheeling through schedule actually serves load located outside of the CAISO. APS also asks the Commission direct CAISO to confirm that its wheeling through exception is not limited to situations where an outage occurs.

36. In response to APS' request that CAISO clarify what evidence is necessary to demonstrate that a wheeling transaction serves a load outside of CAISO, CAISO offers a clarification.³⁵ CAISO states that it will require that an employee of the company with the authority to bind the company attest that the company serves load at the location that will be the ultimate sink of the transaction. CAISO states that it will provide the entity with a special resource ID to use for scheduling the wheel, and will not enforce its settlement rule on that ID. CAISO notes that it considers this to be an implementation detail and will include it in its Business Practice Manual.

37. In its answer, APS states that it appreciates CAISO's clarification of the process by which it can receive an exemption. However, APS renews its request that the Commission direct CAISO to clarify that its exemption is not limited to situations where an outage occurs.

Commission Determination

38. We find that CAISO's explanation sufficiently addresses both of APS' concerns. First, CAISO has clarified that it will administer the wheeling through exception with an attestation and a special resource ID. Second, by stating that the employee must attest "to the fact that the company serves load at the location that will be the ultimate sink of the wheel,"³⁶ CAISO has clarified that an outage is not required for the exception. Further,

³⁴ APS Protest at 5-6.

³⁵ CAISO Answer at 10.

³⁶ *Id.*

we agree with CAISO that this is an implementation detail that is appropriate to be placed in the business practice manual.

3. Multiple Scheduling Coordinator Circular Schedules

39. Powerex states that CAISO's delay in proposing these tariff revisions created confusion and uncertainty among market participants. To avoid further uncertainty, Powerex proposes that CAISO adopt specific tariff language that gives limited tolerance to multiple scheduling coordinator circular schedules.³⁷

40. WPTF also protests CAISO's admonition in its transmittal letter against multi-scheduling coordinator circular schedules.³⁸ WPTF states that CAISO's statement applies a due diligence standard on market participants without any guidance on what activity CAISO will view as prohibited. WPTF asks the Commission to clarify that this due diligence standard has no relevance unless CAISO files it as a subsequent tariff amendment.

41. In response to these concerns, CAISO states that its expectation regarding due diligence to avoid such transactions is not included in the tariff and not covered by the settlement rule.³⁹

Commission Determination

42. WPTF and Powerex's objections to CAISO's handling of multiple scheduling coordinator circular schedules fall outside the scope of this proceeding. CAISO's statements in this proceeding merely discourage the activity based on existing market manipulation guidance. Since CAISO does not propose new tariff revisions for multiple scheduling coordinator circular schedules, the issue is not before the Commission.

4. Miscellaneous

43. Powerex generally supports CAISO's proposal; however, Powerex asserts that the preferred approach is to automatically reject e-Tags of prohibited transactions. Powerex states that CAISO, does, in fact, have the ability to reject non-compliant e-Tags.⁴⁰

³⁷ Powerex December 12, 2012 Protest (Powerex Protest) at 18-19.

³⁸ *Id.* at 9-11.

³⁹ CAISO Answer at 8.

44. In response, CAISO reiterates that this is not a practical option and further argues that the rejection of circular schedules would have an undesirable impact on unrelated schedules.⁴¹ Moreover, CAISO emphasizes that a proposal to reject e-Tags is not before the Commission.

45. CAISO offers one correction to its tariff sheets. CAISO states that its tariff language inadvertently states that it would apply its CRR rule to affiliates as well as the CRR holder. CAISO clarifies that it does not intend for the settlement rule to apply to affiliates, and CAISO commits to submit a compliance filing to remove the reference to affiliates if so ordered by the Commission. CAISO further clarifies that if a scheduling coordinator uses circular scheduling to benefit the position of an affiliate, such conduct would be considered for referral by the Department of Market Monitoring.

Commission Determination

46. We find that CAISO has sufficiently explained why it cannot currently reject e-Tags that violate its proposed circular scheduling rule. We also agree with CAISO that the presence of Powerex's proposal as an alternative does not diminish the justness and reasonableness of the proposal before us.

47. Finally, CAISO states that it inadvertently inserted a parenthetical statement subjecting affiliates to its CRR settlement rule in its tariff section. We accept CAISO's clarification and direct CAISO to make this correction in a compliance filing no later than 30 days from the date of this order.

The Commission orders:

(A) CAISO's November 21, 2012 tariff revisions are hereby conditionally accepted, effective February 1, 2013, as discussed in the body of this order.

⁴⁰ Powerex Protest at 7, 15-16.

⁴¹ CAISO Answer at 7.

(B) CAISO is hereby directed to submit a compliance filing within 30 days, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.