

155 FERC ¶ 61,329  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Cheryl A. LaFleur, Tony Clark,  
and Colette D. Honorable.

California Independent System  
Operator Corporation

Docket No. ER16-1518-000

ORDER ON PROPOSED TARIFF REVISIONS

(Issued June 30, 2016)

1. On April 28, 2016 (April 28 Filing), pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> the California Independent System Operator Corporation (CAISO) submitted proposed revisions to its tariff governing the Energy Imbalance Market (EIM), resulting from Phase Two of CAISO's EIM Year One Enhancements initiative. In this order, the Commission accepts in part and rejects in part CAISO's proposed revisions and directs staff to hold a technical conference to explore the issues discussed herein.

**I. Background**

2. The EIM was implemented in 2014 to enable entities with balancing authority areas (BAAs) outside of CAISO to voluntarily take part in the imbalance energy portion of the CAISO locational-marginal price (LMP)-based real-time market alongside participants from within the CAISO Balancing Authority Area (BAA).<sup>2</sup> The EIM allows participating BAAs to buy and sell energy as part of CAISO's real-time market to satisfy energy imbalance needs.

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<sup>1</sup> 16 U.S.C. § 824d (2012).

<sup>2</sup> *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231, *order on reh'g*, 149 FERC ¶ 61,058 (2014). CAISO administers the EIM pursuant to section 29 of the CAISO tariff.

3. The EIM footprint has expanded since its implementation and is expected to further expand in the near future. PacifiCorp's two BAAs were the initial participants in the EIM, commencing financially binding operations on November 1, 2014.<sup>3</sup> Nevada Power Company and Sierra Pacific Power Company (collectively, NV Energy), the second entity to join the EIM, commenced financially binding operations on December 1, 2015.<sup>4</sup> Puget Sound Energy, Inc. (Puget)<sup>5</sup> and Arizona Public Service Company (APS)<sup>6</sup> intend to commence financially binding EIM operations concurrently on October 1, 2016. In addition, Portland General Electric and Idaho Power Company have stated their intentions to join the EIM in fall 2017<sup>7</sup> and spring 2018,<sup>8</sup> respectively.

## II. CAISO's April 28 Filing

4. CAISO proposes modifications to its tariff intended to enhance functionality and address issues encountered during the first year of EIM operations. Specifically, as discussed in more detail below, the proposed revisions seek to: (1) revise the assignment of the real-time congestion offset to BAAs to better reflect the contribution of each to congestion at the interties; (2) provide that CAISO will, upon the request of an EIM Entity, provide outage information directly to the reliability coordinator; (3) clarify that the administrative costs included in the default energy bid and start-up cost and minimum load cost calculations for an EIM market participant should include the applicable EIM administrative charges and not the charges reflected in CAISO's grid management

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<sup>3</sup> *PacifiCorp*, 147 FERC ¶ 61,227 (conditionally accepting in part and rejecting in part revisions to PacifiCorp's OATT to enable participation in the EIM) (*PacifiCorp EIM Order*), *order on reh'g*, 149 FERC ¶ 61,057 (2014), *reh'g rejected*, 150 FERC ¶ 61,084 (2015).

<sup>4</sup> *Nevada Power Co.*, 151 FERC ¶ 61,131 (2015) (*NV Energy EIM Order*) (conditionally accepting revisions to NV Energy's OATT to enable participation in the EIM), *order on reh'g and clarification*, 153 FERC ¶ 61,306 (2015).

<sup>5</sup> *Puget Sound Energy, Inc.*, 155 FERC ¶ 61,111 (2016) (conditionally accepting revisions to Puget's OATT to enable participation in the EIM).

<sup>6</sup> *Arizona Public Service Company*, 155 FERC ¶ 61,112 (2016) (conditionally accepting revisions to APS's OATT to enable participation in the EIM).

<sup>7</sup> *See Cal. Indep. Sys. Operator Corp.*, 154 FERC ¶ 61,020 (2016).

<sup>8</sup> *See Cal. Indep. Sys. Operator Corp.*, 155 FERC ¶ 61,311 (2016) (accepting implementation agreement setting forth the terms under which Idaho Power Company will participate in the EIM).

charge; (4) specify that base schedules must include approved, pending, and adjusted e-Tags for imports and exports; (5) clarify that implementing economic bidding at EIM external interties requires further development of appropriate market rules; (6) provide for real-time local market power mitigation of EIM transfers on EIM internal interties; and (7) include greater tariff detail regarding calculation of the marginal losses component of the LMP.<sup>9</sup> Each of these proposed modifications is discussed in detail below.

**A. Assignment of Real-Time Congestion Revenues**

5. CAISO proposes to revise the way it assigns congestion revenues attributable to EIM internal interties.<sup>10</sup> CAISO explains that it currently assigns congestion revenues to BAAs based on the number of participants that share the intertie.<sup>11</sup> CAISO states that it uses this assignment in allocating the real-time congestion offset. According to CAISO, in practice, this means that congestion revenues at various EIM internal interties are shared equally between PacifiCorp and CAISO, PacifiCorp and NV Energy, or CAISO and NV Energy, depending on the intertie location.<sup>12</sup>

6. CAISO states that two developments have caused it to consider revision of this methodology: (1) changes to the nature of transactions at EIM internal interties, which now use available transmission capability in addition to the merchant transmission ownership and contractual rights that were originally used for EIM transactions; and (2) the addition of new EIM Entities, which may result in multiple EIM Entities with rights at the same intertie location. CAISO explains that these developments have resulted in differing rights of EIM Entities that may result in different contributions to congestion at an intertie. Accordingly, CAISO states that it must revise the assignment of congestion revenue to reflect these differing contributions.<sup>13</sup> As a result, under its proposal, CAISO will evaluate the contribution to the congestion based on several differentiating factors, including the number of EIM Entities that share an internal

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<sup>9</sup> April 28 Filing at 1.

<sup>10</sup> EIM internal interties are interties between two EIM BAAs, or between an EIM BAA and the CAISO BAA. *Id.* at 5-6.

<sup>11</sup> *Id.* at 4 (citing CAISO Tariff, § 11.5.4.1.1(b)).

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

intertie, the rights made available to support the EIM transfer limit, and whether the intertie also operates as a CAISO scheduling point or an intertie external to the EIM.<sup>14</sup>

7. CAISO proposes that when congestion arises in connection with transmission to an EIM internal intertie, it will assign the revenues to the BAAs that provide the transmission to the intertie in accordance with their shares of the EIM transfer limit. When the congestion arises in connection with transmission through an EIM internal intertie, CAISO will allocate the revenues among the BAAs based on the number of BAAs on each side of the intertie. According to CAISO, the distinction of whether the transmission made available gets to or through the intertie is based on whether the EIM transfer limit must compete at that location with transactions using transmission not provided by CAISO or an EIM Entity, i.e., whether the intertie also operates as an EIM external intertie or CAISO scheduling point. CAISO states that it will continue to assign the revenues related to congestion at EIM external interties and scheduling points to the BAA that manages the transmission rights on that intertie, which then sub-allocates the revenue according to its tariff.<sup>15</sup>

**B. Provision of Outage Information**

8. CAISO proposes to revise tariff section 29.9 to allow an EIM Entity to request that CAISO submit outage information that the EIM Entity has entered into CAISO's outage management system to the reliability coordinator on behalf of the EIM Entity.<sup>16</sup> CAISO explains that, currently, in the Western Electricity Coordinating Council area, each balancing authority is responsible for submitting outage information into the regional reliability coordinator outage application. In addition, an EIM Entity must enter approved outages within its BAA into CAISO's outage management system.<sup>17</sup> CAISO asserts that this is an unnecessary duplication of effort, and its proposal would eliminate the need for a balancing authority to develop its own outage application or to report outage information manually into two systems. CAISO states that the proposal would not change the reliability responsibilities of the EIM Entity and no liability would be assumed by CAISO in providing this service.<sup>18</sup>

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<sup>14</sup> *Id.* at 4-5.

<sup>15</sup> April 28 Filing at 5; CAISO Proposed Tariff, § 11.5.4.1.1(c).

<sup>16</sup> April 28 Filing at 17.

<sup>17</sup> *Id.* at 16-17.

<sup>18</sup> *Id.* at 17.

**C. Default Energy Bid and Start-Up Cost and Minimum Load Cost Calculations**

9. CAISO proposes to revise sections 29.30 (addressing bid and self-schedule submission for CAISO markets) and 29.39 (addressing EIM market power mitigation) of its tariff to include the market services charge and system operations charge reflected in the EIM administrative charge in calculating start-up and minimum load costs and default energy bids.<sup>19</sup> For such calculations under the current tariff, CAISO uses a different market services charge and system operations charge that are reflected in CAISO's grid management charge.

10. For purposes of start-up and minimum load costs and requirements, CAISO's current tariff includes a proxy cost calculation, which includes, as a cost component, the market services charge and system operations charge that are also components of CAISO's grid management charge. As to the default energy bid calculation, section 39.7 of CAISO's tariff provides for calculating the default energy bid, as applicable to EIM, using a grid management charge adder consisting of the market services charge and the system operations charge.

11. CAISO states that applying the market services charge and the system operations charge reflected in the CAISO grid management charge to EIM market participants is not appropriate because, under section 29.11(i) of the CAISO tariff, they do not pay the CAISO grid management charge, but rather the EIM administrative charge. The EIM administrative charge sets forth a different market services charge and systems operation charge. Accordingly, CAISO proposes to revise sections 29.30 and 29.39 to include the market services charge and system operations charge reflected in the EIM administrative charge in calculating the start-up and minimum load costs and default energy bids.<sup>20</sup> CAISO asserts that this clarification reflects the appropriate EIM charge components, which is consistent with existing policy.<sup>21</sup>

**D. Inclusion of E-Tags in Base Schedules**

12. CAISO proposes to revise section 29.34 of its tariff to specify which e-Tags EIM Entities can use to establish base schedules for EIM imports and exports. CAISO explains that providing EIM Entities with the discretion of using only one form of e-Tag can cause confusion because a base schedule import for one EIM Entity BAA could also

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<sup>19</sup> *Id.*

<sup>20</sup> *Id.*; CAISO Proposed Tariff, §§ 29.30, 29.39.

<sup>21</sup> April 28 Filing at 17-18.

be a base schedule export for another EIM Entity BAA.<sup>22</sup> Therefore, CAISO proposes to revise its tariff to require all EIM Entities to accept approved, pending, and adjusted e-Tags as a valid means to communicate an import or export base schedule to another EIM Entity for purposes of imbalance settlement.<sup>23</sup> According to CAISO, this will ensure accurate and consistent information regarding transmission capacity available for EIM transfers. CAISO asserts that, otherwise, one EIM Entity may not include all e-Tags in its base schedules, which could create an inconsistency in the market. CAISO states that having standard rules regarding base schedules applicable to all EIM Entities addresses this concern.<sup>24</sup>

13. CAISO also proposes to eliminate the requirement that EIM base schedules must disaggregate the forward export schedules to other BAAs because this requirement is unnecessary. CAISO explains that, initially, it required the forward export schedules to be disaggregated from the base schedules. However, experience has shown that CAISO does not need the information presented in this manner, and CAISO proposes to eliminate this unnecessary requirement.<sup>25</sup>

**E. Market Rules for Economic Bidding at External EIM Interties**

14. Currently, CAISO's tariff provides EIM Entities with discretion to determine whether to implement economic bidding at EIM external interties. CAISO proposes to establish a prerequisite to exercising this discretion, by modifying its tariff to clarify that implementing economic bidding at EIM external interties requires further development of appropriate market rules.

15. CAISO explains that no EIM Entity has requested that economic bidding be enabled on its interties because of the additional complexity this would add at the startup of its participation in the EIM. CAISO states that it had recognized that this issue should be revisited as part of its EIM year one enhancements efforts after participants gained experience and were no longer focused on initial implementation.

16. CAISO explains that it initially proposed in the stakeholder process to make economic bidding on EIM external interties mandatory subject to stakeholder review. However, CAISO explains, stakeholders were divided on the issue. According to

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<sup>22</sup> *Id.* at 18.

<sup>23</sup> CAISO Proposed Tariff, § 29.34.

<sup>24</sup> April 28 Filing at 18.

<sup>25</sup> *Id.*

CAISO, while power marketers supported pursuing this change on the basis of the benefits it would provide, EIM Entities expressed concern about a requirement that they enable economic bidding on their interties without understanding all of its implications. CAISO states that, subsequently, additional issues have come to light.<sup>26</sup> Specifically, CAISO notes the following concerns: (1) CAISO's general experience with 15-minute economic bidding at its own interties calls into question the extent of the benefits from allowing such bidding; (2) discussions during the EIM enhancements initiative have revealed additional issues that need to be addressed; (3) the EIM relies on the current CAISO full network model, which does not yet incorporate all possible sources for intertie bids; and (4) it would be problematic if a single EIM Entity requested CAISO to permit it to allow economic bidding at interties under the current tariff because having one EIM BAA with economic intertie bidding could shift flows to some interties.<sup>27</sup>

17. CAISO states that it concluded that it should not move forward with mandatory economic bidding at the interties, nor continue to permit EIM Entities to enable economic bidding on their interties, until appropriate rules and procedures are in place. Accordingly, CAISO proposes to revise its tariff to require the development of appropriate rules and procedures before economic bidding at EIM external interties can commence. CAISO also states that there may be other means to enhance participation in the EIM that provide equal or greater benefit without raising the concerns expressed by stakeholders regarding bidding at the interties. For example, CAISO states that it may make more sense to focus on reducing barriers to entry for smaller BAAs to join the EIM rather than increasing participation by non-specific resources outside of the EIM area.

18. CAISO states that it would be inappropriate to establish a definitive timeframe by which it must resolve the issues regarding mandatory economic bidding at the interties and make a section 205 filing to implement such bidding. CAISO asserts that it is appropriate to initiate consideration of these questions through the CAISO market initiatives catalog process, which starts in the fourth quarter of each year and prioritizes stakeholder initiatives for the upcoming year.<sup>28</sup>

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<sup>26</sup> *Id.* at 20.

<sup>27</sup> *Id.* at 20-21.

<sup>28</sup> *Id.* at 22. CAISO states that it believes that EIM stakeholders have the opportunity to decide whether this should be a priority item and, if so, to make their position known to the EIM governing body that will be seated shortly. *Id.* at 22 n.43.

**F. Local Market Power Mitigation of EIM Transfers on EIM Internal Interties**

19. CAISO proposes to revise section 29.39 of its tariff to treat EIM transfer limits into an EIM BAA the same as any other internal constraint with regard to market power mitigation. As a result of this change, CAISO will test each EIM Entity BAA power balancing constraint for competitiveness whenever the constraint is binding. CAISO explains that this will ensure consistent treatment of all constraints in the EIM area. According to CAISO, it will also obviate the need for a specific structural competitiveness assessment by the Department of Market Monitoring and authorization from the Commission.

20. CAISO states that the assessments performed with respect to PacifiCorp and NV Energy support applying market power mitigation to EIM transfer limits.<sup>29</sup> CAISO explains that the Department of Market Monitoring was unable to conclude that the PacifiCorp and NV Energy BAAs are structurally competitive, and CAISO expects similar findings with respect to future EIM Entities, including Puget, APS, Portland General Electric, and Idaho Power Company. CAISO asserts that there is no need to continue performing an analysis and seeking authorization from the Commission to include EIM transfer constraints in the market power mitigation procedures when the logical conclusion will be to include them. Accordingly, CAISO proposes always to include EIM transfers into every EIM Entity BAA to ensure that EIM internal interties will be mitigated whenever conditions warrant. CAISO states that the Department of Market Monitoring supports this approach.<sup>30</sup>

**G. Marginal Losses Calculation**

21. CAISO proposes to revise Appendix C of its tariff to provide additional detail regarding the calculation of marginal losses. CAISO explains that, in its order conditionally accepting CAISO's Phase 1 enhancements, the Commission directed CAISO to provide greater detail in Appendix C to clarify that the marginal price of congestion in EIM LMPs will reflect the shadow price of all binding transmission constraints.<sup>31</sup> CAISO states that, in preparing its compliance filing, it concluded that it would be appropriate to provide a similar level of detail regarding the marginal losses calculation for EIM LMPs. CAISO explains that it could not propose such changes at

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<sup>29</sup> *Id.* at 23 (citing *Cal. Indep. Sys. Operator Corp.*, 148 FERC ¶ 61,222 (2014); *Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,207 (2015)).

<sup>30</sup> *Id.*

<sup>31</sup> *See Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,087, at P 43 (2015).

that time because they were beyond the scope of the compliance filing, and CAISO therefore proposes to revise Appendix C in this filing to provide a commensurate level of detail regarding the calculation of marginal losses. CAISO states that the amendment represents no substantive change in the calculation, but merely provides greater transparency.<sup>32</sup>

#### **H. Effective Date and Request for Waiver**

22. CAISO requests that its proposed tariff revisions be made effective on October 1, 2016. CAISO seeks waiver of the Commission's notice requirements set forth in section 35.3(a)(1) of the Commission's regulations, 18 C.F.R. § 35.3(a)(1), because the requested effective date is more than 120 days after CAISO's filing.

#### **III. Notice and Responsive Pleadings**

23. Notice of CAISO's April 28 Filing was published in the *Federal Register*, 81 Fed. Reg. 28,863, with interventions and protests due on or before May 19, 2016. Timely motions to intervene were filed by the Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California; Portland General Electric; APS; Pacific Gas and Electric Company; Truckee Donner Public Utility District; the California Department of Water Resources State Water Project; Northern California Power Agency; the Bonneville Power Administration; the Cities of Santa Clara and Redding, California and the M-S-R Public Power Agency; Sacramento Public Utility District; Modesto Irrigation District; and Puget Sound Energy, Inc. Timely motions to intervene and comments were filed by Southern California Edison Company (SoCal Edison) and PacifiCorp. A timely motion to intervene and protest was filed by the Western Power Trading Forum (WPTF). CAISO filed an answer on May 27, 2016.

#### **A. Comments**

24. SoCal Edison and PacifiCorp support CAISO's proposed revisions. SoCal Edison states that CAISO's proposal to modify the market power mitigation process to occur whenever the EIM transfer constraint binds will simplify the regulatory process and treat all of the various EIM constraints uniformly.<sup>33</sup> According to PacifiCorp, CAISO's proposal to modify the allocation of real-time congestion offset to BAAs will result in congestion offset costs being more properly aligned with the use of PacifiCorp's rights on

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<sup>32</sup> *Id.* at 24.

<sup>33</sup> SoCal Edison Comments at 2.

the California-Oregon Intertie. PacifiCorp asserts that CAISO's proposal will allow CAISO to assign congestion revenues to BAAs more accurately than the current design.<sup>34</sup>

25. WPTF opposes CAISO's proposal to specify in its tariff that economic bidding at EIM external interties may not be implemented until CAISO develops the appropriate market rules, with no proposed timeline for developing and implementing such rules. WPTF contends that CAISO's position on EIM intertie participation has changed drastically in the past two years, as CAISO previously recognized the importance of EIM participation and indicated that such participation could increase liquidity in the fifteen minute market. According to WPTF, CAISO has not adequately explained the reason for its change in position nor has it provided an analysis to support its assertion that EIM intertie participation is infeasible.<sup>35</sup>

26. WPTF asserts that CAISO's proposal ignores the costs and risks parties bear without the ability to bid at the EIM interties. Due to the mismatch in market timing and scheduling practices resulting from the separation between the EIM and bilateral markets, WPTF argues that the West's balancing authorities and regional markets will experience seams issues for the foreseeable future if CAISO does not have a Commission-mandated commitment to open the markets to EIM intertie participation.<sup>36</sup> For example, WPTF asserts that non-EIM market participants are effectively limited to making hourly transactions on a bilateral basis, which limits the pool of flexible resources capable of integrating variable energy resources at least cost or relieving congestion in the EIM. According to WPTF, this outcome seems at odds with the need for flexible capacity observed in CAISO's BAA, and at times, the BAAs of EIM Entities, and the periodic oversupply conditions in CAISO's BAA.<sup>37</sup>

27. Further, according to WPTF, it is unlikely that CAISO will address this issue in the foreseeable future in its stakeholder process, meaning that CAISO's proposal would effectively prohibit economic bidding at the interties indefinitely. WPTF asserts that even stakeholder topics that are ranked highly in the stakeholder initiatives catalog process frequently may not ultimately receive CAISO's attention. WPTF also claims that CAISO tends not to focus on initiatives related to market efficiency desired by

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<sup>34</sup> PacifiCorp Comments at 3-4.

<sup>35</sup> WPTF Protest at 6.

<sup>36</sup> *Id.* at 7.

<sup>37</sup> *Id.* at 7-8.

stakeholders, but rather directs its attention to initiatives the Commission requires or those it can argue are needed for reliability.<sup>38</sup>

28. WPTF notes that the Commission directed APS in a recent order to remove burdens on external resources who wish to offer into the EIM by means of dynamic schedules and made statements in recent orders encouraging Puget Sound Energy, Inc. and APS to explore participation by third party resources.<sup>39</sup> However, WPTF contends that the EIM intertie participation issue is much larger than allowing pseudo-tie or dynamic schedules to participate in one-off arrangements. WPTF asserts that this problem calls for a truly market-based solution. WPTF thus requests that the Commission direct CAISO to undertake an open and transparent stakeholder process to identify and develop the market rules necessary to enable intertie bidding and implement the changes within a year.<sup>40</sup>

### **B. CAISO's Answer**

29. In its answer, CAISO asserts that WPTF does not actually protest CAISO's filing, but rather objects to something that CAISO did not do in its filing – establish a schedule for a stakeholder process on economic intertie bidding.<sup>41</sup> CAISO asserts that it has provided stakeholders with ample explanation of its position on economic bidding at external interties, and has identified legitimate issues that warrant further evaluation before allowing an EIM Entity to enable economic intertie bidding.<sup>42</sup> CAISO explains that when it presented this matter for stakeholder consideration, WPTF supported pursuing intertie bidding, but the EIM Entities expressed concern about a requirement that they enable economic bidding on their interties without understanding all its implications.<sup>43</sup> CAISO states that the matter could be considered by the EIM body of state regulators, which has been organized, or by the EIM governing body that CAISO will be seating soon, and that WPTF will have the opportunity to present its concerns to these bodies. According to CAISO, its proposal ensures that identified concerns are

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<sup>38</sup> *Id.* at 9.

<sup>39</sup> *Id.* at 5, 12 (citing *Ariz. Pub. Serv. Co.*, 155 FERC ¶ 61,112, at PP 83-84 (2016); *Puget Sound Energy, Inc.*, 155 FERC ¶ 61,111 at P 147).

<sup>40</sup> WPTF Protest at 12-13.

<sup>41</sup> CAISO Answer at 3.

<sup>42</sup> *Id.* at 4.

<sup>43</sup> *Id.* at 4-5.

addressed before it will approve an EIM Entity request to implement economic bidding on its EIM external interties.<sup>44</sup>

30. CAISO also asserts that the value of economic bidding at the interties is not at issue in this proceeding. CAISO explains that it has not proposed to prohibit economic bidding at the interties. Rather, CAISO states, it requires the development of rules and procedures as a prerequisite for implementing economic bidding at the interties due to identified concerns, which WPTF agrees need to be resolved, before it can grant such requests. CAISO contends that it has justified its decision not to mandate economic bidding at the interties at this time.<sup>45</sup> CAISO also states that it will conduct a further stakeholder process at the appropriate time, though it is unwilling to commit to a date certain in light of potential competing concerns.<sup>46</sup> According to CAISO, the lack of economic bidding at external EIM interties is not interfering with resource transactions throughout the Western Interconnection.<sup>47</sup>

31. CAISO also disagrees with WPTF's criticisms of CAISO's stakeholder initiatives catalog process. CAISO asserts that, as an independent entity, it must determine the best use of its resources. CAISO explains that the market initiatives roadmap process it administers is open to all stakeholders and is a transparent process to allocate scarce resources. According to CAISO, the primary consideration is operating its markets in compliance with its tariff and Commission orders.<sup>48</sup> While stakeholders can provide input into initiatives for market improvements, CAISO asserts that it cannot delegate its responsibility to make such decisions to its stakeholders without violating independence requirements. CAISO contends that nothing in its proposal interferes with WPTF pursuing its positions with the EIM governing body that will be seated soon, the body of state regulators, or the associated EIM participant forum. However, the Commission should not allow WPTF to appropriate the Commission's tariff revision proceedings in order to short-circuit the EIM stakeholder process.<sup>49</sup>

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<sup>44</sup> *Id.* at 6.

<sup>45</sup> *Id.* at 8-12.

<sup>46</sup> *Id.* at 9.

<sup>47</sup> *Id.* at 12-15.

<sup>48</sup> *Id.* at 15-16.

<sup>49</sup> *Id.* at 16.

#### **IV. Discussion**

##### **A. Procedural Matters**

32. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

33. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2015), prohibits an answer to a protest 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. Substantive Matters**

34. We accept in part, effective as of October 1, 2016, as requested, and reject in part CAISO's proposed revisions.<sup>50</sup> We find that the revisions we accept here will enhance the functionality of the EIM, and will address issues encountered during the first year of EIM operations.

35. Specifically, we find that CAISO's proposal to modify the method by which it assigns real-time congestion revenue will more accurately align congestion offset costs and revenues with the transmission rights held by each EIM Entity. As the EIM expands, multiple EIM Entities may have rights at the same intertie location. CAISO's proposed revisions reflect that EIM Entities with different rights may consequently have different contributions to congestion at a given intertie, and that congestion revenues should be assigned consistent with these contributions. We also find that CAISO's proposal to allow an EIM Entity to request that CAISO submit outage information to the reliability coordinator will help eliminate duplication of effort with regard to this reporting. We further find that CAISO's proposal to modify the calculation of default energy bids and start-up and minimum load costs will result in the appropriate EIM charge components being reflected in these costs. Given that EIM participants pay the EIM administrative charge, it is appropriate that the market services charge and system operations charge reflected in the EIM administrative charge, rather than the CAISO grid management charge, are used to calculate the default energy bids and start-up and minimum load costs for EIM market participants.

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<sup>50</sup> The Commission can revise a proposal under FPA section 205 as long as the filing utility accepts the change. *See City of Winnfield*, 744 F.2d 871, 875-77 (D.C. Cir. 1984). The filing utility is free to indicate that it is unwilling to accede to the Commission's conditions by withdrawing its filing.

36. We accept CAISO's proposal to require all EIM Entities to accept approved, pending, and adjusted e-Tags for purposes of establishing base schedules for EIM imports and exports. We find that this proposal will ensure accurate and consistent information regarding the transmission capacity available for EIM transfers. Requiring the standardization of e-Tag information provided in base schedules will reduce the potential for confusion in the event different EIM Entities have inconsistent e-Tagging practices for establishing EIM import and export base schedules and help CAISO ensure the accuracy of its modeling. In addition, we find that CAISO's proposal to always include EIM transfers into every EIM Entity BAA in its market power mitigation procedures will ensure that all EIM internal interties will be mitigated whenever conditions warrant, and will result in consistent treatment of all constraints in the EIM area. We also accept CAISO's proposal to revise Appendix C of its tariff to provide additional detail regarding the calculation of marginal losses because it will provide more transparency to stakeholders.

37. However, we reject CAISO's proposal to modify its tariff to clarify that implementing economic bidding at EIM external interties requires further development of appropriate market rules. As an initial matter, we find it inappropriate for CAISO to include in its tariff an indefinite placeholder. In addition, the proposed language effectively overrides existing tariff language that allows economic bidding at EIM external interties at the discretion of the EIM Entity. We appreciate that CAISO states that it has identified issues that warrant further evaluation before allowing an EIM Entity to enable intertie bidding. However, CAISO has not sufficiently described those issues here, and has not met its burden under FPA section 205 of showing that its proposal to condition EIM Entities' existing discretion to implement bidding at EIM external interties is just and reasonable. Moreover, WPTF raised concerns about unduly delaying the ability of external resources to participate – concerns that CAISO does not fully address. As such, we find that CAISO has not justified its proposed tariff language and reject it without prejudice.

38. Further, we find that the concerns related to implementation of intertie bidding raised by WPTF and CAISO merit further discussion regarding impediments and potential solutions to allow economic bidding at the EIM external interties and ways those impediments might be overcome. Accordingly, we direct Commission staff to convene a technical conference to gather additional information regarding the technical challenges CAISO describes related to the implementation of economic bidding at the EIM external interties. The details, timing, and location of the technical conference will be set forth in a subsequent notice issued by the Commission. We also direct CAISO to submit a compliance filing within 30 days of the date of this order revising its tariff to exclude CAISO's proposed language requiring further development of market rules prior to an EIM Entity implementing economic bidding at EIM external interties.

39. Finally, we find good cause to grant waiver of the Commission's maximum 120-day notice requirement, 18 C.F.R. § 35.3(a)(1) (2015), to permit CAISO's requested effective date of October 1, 2016.

The Commission orders:

(A) CAISO's proposed tariff revisions are hereby accepted in part and rejected in part, as discussed in the body of this order.

(B) Commission staff is hereby directed to convene a technical conference to be held at a date specified in a subsequent notice, as discussed in the body of this order.

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

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.