

139 FERC ¶ 61,181
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

June 5, 2012

In Reply Refer To:
California Independent System Operator
Corporation
Docket No. ER12-1468-000

Burton Gross, Senior Counsel
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250 Outcropping Way
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Reference: Tariff Revision

Dear Mr. Gross:

1. On April 10, 2012, the California Independent System Operator Corporation (CAISO) filed revisions to its open access transmission tariff (OATT)¹ to use a transmission reliability margin under certain circumstances to reduce the available transfer capability on a particular intertie scheduling path. CAISO's revisions also include updates to certain terminology in its tariff to be consistent with Order No. 890² and to correct typographical errors.³ CAISO requests that the Commission accept the proposed tariff revisions, to become effective June 10, 2012.

¹ See Tariff Section 6.5.2.1, 6.5.2.3.2, 23, 30.8, 36.4, Appendix A, and Appendix L.

² *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009), *order on clarification*, Order No. 890D, 129 FERC ¶ 61,126 (2009).

³ CAISO April 10, 2012 Proposed Tariff Amendment To Use a Transmission Reliability Margin (CAISO Filing).

2. CAISO states that the tariff revisions to use a transmission reliability margin are designed to address operational difficulties that arise when certain conditions cause the available transfer capability on CAISO's intertie path to be reduced after the hour-ahead scheduling (HASP) process schedules have been awarded,⁴ resulting in cuts to awarded HASP process schedules shortly prior to or within the operating hour. CAISO states that its new transparent transmission reliability margin values will reserve capacity to account for these conditions shortly before the HASP process schedules are awarded. This will reduce the frequency of its schedule cutting.

3. The Commission approved certain North American Electric Reliability Commission (NERC) requirements for how Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs) should calculate and document the amount of transfer capability available on their systems for sale to third parties. NERC identified nine conditions during which RTOs and ISOs are permitted to use a transmission reliability margin for three time periods: (1) same-day and real-time; (2) day-ahead and pre-schedule; and (3) beyond the day-ahead and pre-schedule up to thirteen months ahead.⁵

4. CAISO proposes to amend its tariff to allow it to establish and use transmission reliability margin values for the following three conditions identified by NERC: (1) forecast uncertainty in transmission system topology (including but, not limited to, forced or unplanned outages and maintenance outages); (2) allowances for parallel path (loop flow) impacts; and (3) allowances for simultaneous path interactions.⁶ CAISO states that, in the past, these conditions have led to occasional reductions in awarded HASP process schedules at the interties in order to avoid exceeding transfer limits in real time. CAISO states that the other conditions identified by NERC are currently inapplicable or are conditions in which CAISO has other options to address the condition.

⁴ The hour ahead scheduling process closes 75 minutes before the prior to the real-time trading hour.

⁵ *Mandatory Reliability Standards for the Calculation of Available Transfer Capability, Capacity Benefits Margins, Transmission Reliability Margins, Total Transfer Capability, and Existing Transmission Commitments and Mandatory Reliability Standards for Bulk-Power System*, Order No. 729, 129 FERC ¶ 61,155 (2009), *order on clarification*, Order No. 729-A, 131 FERC ¶ 61,109 (2010), *order on reh'g*, Order No. 729-B, 132 FERC ¶ 61,027 (2010).

⁶ The total flow of energy in transmission corridors consists of multiple paths. Simultaneous path interactions may create a circumstance where the transfer capability of a certain transmission path is limited by interactions with another path.

5. CAISO states that it would establish a transmission reliability margin value for a given intertie scheduling path shortly before the close of the HASP process market and no earlier than two hours in advance of dispatch. CAISO states that by limiting the use of the transmission reliability margin for only the same-day/real-time timeframe, it will be able to make more accurate and reasonable predictions about the amount of margin that needs to be reserved in order to account for the identified conditions, and avoid potentially unwarranted reservations.

6. Under CAISO's proposal, any transmission reliability margin value that CAISO establishes for a given hour on the intertie scheduling path will be publicly posted on the Open Access Same-Time Information System (OASIS) in advance of the affected scheduling hour. CAISO states that it will identify, for each scheduling hour, the transmission reliability margin value, the affected intertie path, and which of the three transmission reliability margin conditions is applicable.⁷ CAISO states that it will convey this information through market messages posted on the OASIS until it is able to update its OASIS to accommodate the transmission reliability margin values.

7. Notice of CAISO's Filing was published in the *Federal Register*, 77 Fed. Reg. 23,474, with comments and interventions due on or before May 1, 2012. Timely motions to intervene were filed by California Department of Water Resources State Water Project; Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, CA; City of Santa Clara and M-S-R Public Power Agency; Modesto Irrigation District; Northern California Power Agency; Pacific Gas & Electric Company; and Six Cities. NRG Companies filed a motion to intervene out of time.⁸ A timely motion to intervene and comments in support was filed by Powerex Corporation (Powerex). On May 8, 2012, CAISO submitted an answer to Powerex's comments.

8. Powerex submitted comments in support of CAISO's proposal to establish and use a transmission reliability margin on intertie scheduling paths in the limited circumstances identified in CAISO's Filing.⁹ However, Powerex requests that the Commission direct CAISO to commit to posting transmission reliability margin values on OASIS or communicating such values to market participants via market messages "by a time certain well in advance of the operating hour." The HASP process closes 75 minutes before the

⁷ CAISO Filing at 11.

⁸ NRG Companies are NRG Power Marketing LLC, Avenal Solar Holdings LLC, Cabrillo Power I LLC, Cabrillo Power II LLC, El Segundo Power LLC, Long Beach Generation LLC, NRG Solar Blythe LLC, NRTU Solar Roadrunner LLC and NRG Solar Roadrunner LLC.

⁹ Powerex Comments at 5.

operating hour, therefore Powerex notes that posting the transmission reliability margin by 85 or 90 minutes before the operating hour would be sufficient. Powerex states that, without a clearly prescribed timeframe for publicly posting this information through updates to its OASIS tables or market messages posted on OASIS, the transparency will be significantly diminished.¹⁰

9. CAISO's answer states that it will post the transmission reliability margin 85 minutes before the operating hour whenever possible. However, CAISO asks that the Commission not impose a rigid deadline because it may create an undesirable outcome. CAISO notes that the three circumstances that give rise to the transmission reliability margin value are inherently variable and can become manifest at different points in time depending on the circumstances.

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2011), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R § 385.214(d) (2011), the Commission will grant NRG Companies' late-filed motion to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay. 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 comments 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.

11. The Commission finds that CAISO's proposed transmission reliability margin, applied under the three circumstances outlined above comport with the NERC and Commission standards and requirements. We find that the proposed tariff revisions will provide transparency to market participants and reduce the frequency of reductions to HASP process schedules. We note that CAISO commits to posting the transmission reliability margin values before the close of the HASP process market and no earlier than two hours in advance of dispatch. We also find merit in CAISO's argument that it is best to post and utilize the transmission reliability margin whenever possible in advance of the HASP process to prevent disruptions for market participants and CAISO operators having to procure alternative source and sink energy under limited time constraints. We find that requiring a "time certain," as Powerex requests, may unnecessarily limit the

¹⁰ *Id.* at 7.

value of the transmission reliability margin and result in reductions in awarded HASP process schedules and operational difficulties that could have otherwise been avoided. Therefore, we accept the proposed tariff revisions to be effective June 10, 2012.

By direction of the Commission.

Kimberly D. Bose,
Secretary.