175 FERC ¶ 61,167
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Richard Glick, Chairman;
James P. Danly, Allison Clements,
and Mark C. Christie.

California Independent System Operator Corporation Docket No. ER21-1469-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued May 28, 2021)

1. On March 18, 2021, the California Independent System Operator Corporation (CAISO) submitted, pursuant to section 205 of the Federal Power Act,[1] proposed revisions to its open access transmission tariff (Tariff) to enable load serving entities (LSE) to reserve import capability at the intertie level on a multi-year basis, consistent with their long-term resource adequacy import capacity contracts, during each annual import capability allocation process. CAISO also proposes to allocate the remaining import capability consistent with load share quantity,[2] and to increase transparency by publishing information regarding import capability allocations at each intertie. As discussed below, we accept CAISO's proposed revisions, effective June 1, 2021, as requested.

I. Background

2. California's resource adequacy program, which CAISO administers jointly with the California Public Utilities Commission (CPUC) and other local regulatory authorities in the CAISO balancing authority area, seeks to secure sufficient capacity when and where needed to support the operation of the CAISO grid. CAISO's resource adequacy program requires LSEs to file annual and monthly resource adequacy plans detailing the resources they will rely on to satisfy applicable demand and reserve margin requirements. CAISO states that it conducts an annual deliverability assessment to ensure that all deliverable internal resources, along with the established maximum import capability, can

[1] 16 U.S.C. § 824d.

[2] CAISO proposes to define load share quantity as the product of total import capability and import capability load share. CAISO March 18, 2021 Filing at 7 n.20 (Transmittal).

serve the aggregate of load.[3] CAISO asserts that although each resource owns deliverability for internal resources, the deliverability of imports (the maximum import capability) is assigned every year to LSEs via the available import capability assignment process.[4] CAISO states that for an import to satisfy an LSE's resource adequacy requirements, the LSE must have an import capacity allocation at the import scheduling point that is greater than or equal to the resource adequacy capacity provided by the import resource.[5]

3. CAISO explains that its annual available import capability assignment process begins by establishing the maximum import capability on interties into the CAISO balancing authority area.[6] CAISO first uses historical import schedule data to calculate the quantity of scheduled net imports at each intertie.[7] CAISO adds these scheduled net import values for each intertie with unused existing transmission contract rights and transmission ownership rights, averaged over the four selected historical hours, to determine the available import capability. From the established maximum import capability, CAISO first subtracts any import capability associated with existing transmission contracts and transmission ownership rights held by LSEs not serving load in the CAISO balancing authority area. Second, CAISO subtracts existing transmission contracts and transmission ownership rights held by LSEs serving load within CAISO to establish available import capability.[8] CAISO then assigns the remaining available import capability to LSEs based on pre-resource adequacy import commitments, and then assigns the remaining import capability to LSEs based on load share quantity.[9]

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[3] *Id.* at 2 (citing CAISO, CAISO eTariff, OATT, § 40.4.6.1, Deliverability Within the CAISO Balancing Authority Area (CAISO eTariff)).

[4] *Id.* at 2 (citing CAISO eTariff, § 40.4.6.2, Deliverability of Imports).

[5] *Id.* at 3 (citing CAISO eTariff, § 40.8.1.12, System Resources and Pseudo-Ties).

[6] *Id.* (citing CAISO eTariff, § 40.4.6.2, Deliverability of Imports).

[7] CAISO selects two of the last five years with the highest imports for the high load periods. CAISO explains that the sample hours from these years are selected by identifying two hours on different days in the two years with the highest total import level when peak load was at least 90% of the annual system peak load. *Id.*

[8] *Id.* at 4 (citing CAISO eTariff, § 40.4.6.2.1, Available Import Capability Assignment Process, Steps 2 and 3).

[9] *Id.* at 4–5 (citing CAISO eTariff, § 40.4.6.2.1, Available Import Capability Assignment Process, Steps 4 and 5).

4. CAISO states that its current annual process does not provide LSEs with certainty that they can retain the same amount of resource adequacy import allocation on any specific intertie from one year to the next because they cannot reserve multi-year import capability at the intertie level to support import capacity contracts.[10] According to CAISO, this limitation has not been a significant concern in the past due to availability of external resources and allocation of import capacity to a relatively small number of larger LSEs with high load share ratios at the CAISO coincident peak. CAISO, however, asserts that increasing competition for resources in the Western Interconnection will likely require LSEs in CAISO to pursue multi-year import agreements to provide long-term stability.[11] CAISO notes that if an LSE does not have sufficient import capability to support an import capacity contract, the contract cannot count toward meeting the LSE's resource adequacy requirements.

II. CAISO's Proposal

5. CAISO proposes to allow LSEs to reserve import capability at the intertie level on a multi-year basis after a showing of multi-year contracted import capacity during the existing 13-step annual import allocation process. The proposal will permit LSEs to reserve remaining import capability at the intertie level by providing CAISO with a "new use import commitment,"[12] which CAISO will allocate as new use import commitment capability[13] at the intertie level after CAISO allocates import capability associated with existing contracts, transmission ownership rights, and pre-resource adequacy import commitments, but before CAISO allocates remaining import capability to LSEs based on

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[10] CAISO states that LSEs can currently retain import capability at the intertie level based on existing contracts, transmission ownership rights, and pre-resource adequacy import commitments, to the extent the maximum import capability is available, for the duration of the associated contract. *Id.* at 5.

[11] *Id.*

[12] CAISO proposes to define "new use import commitment" as a power purchase agreement, ownership interest, or other commercial arrangement for the procurement of capacity from a resource specific or aggregation of resources consisting of pseudo-tie generating units or dynamic resource-specific system resources. The new use import commitment will terminate upon the expiration of the initial term of the contract, notwithstanding any "evergreen" or renewal provision. *Id.* at 6; Proposed CAISO eTariff, Appendix A.

[13] CAISO proposes to define "new use import commitment capability" as the quantity in MW assigned to a particular intertie into the CAISO balancing authority area based on a new use import commitment. Proposed CAISO eTariff, Appendix A.

load share quantity.[14] CAISO proposes that only contracts with pseudo-tie generating units or dynamic resource-specific system resources will qualify to reserve new use import commitment capability, which CAISO states will ensure: (1) that external resources supporting a multi-year import capability allocation are supported by specific, dedicated resources; (2) that external resources will have must offer obligations and be deliverable on the same basis as resource adequacy capacity within CAISO; and (3) consistency with the CPUC's recent decision addressing resource adequacy imports.[15] CAISO states that its proposal will enable LSEs to reserve up to 75% of their year-ahead total import allocation at the intertie level.[16]

6. Under the proposal, CAISO will allow a new use import commitment reservation to extend for an undetermined length of time, consistent with the initial term of the underlying contract, but will prohibit the reserved quantity from exceeding a future year's load share quantity. CAISO states that if an LSE's import allocation exceeds its load share quantity because of a new use import commitment, CAISO will reduce the import allocation associated with the new use import commitment consistent with the LSE's stated preference.[17] CAISO also notes that any material modification to the electric or operational characteristics of a new use import commitment contract, as determined by CAISO, or the sale of the resource adequacy contract that qualifies as a new use import

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[14] Proposed CAISO eTariff, § 40.4.6.2.1, Available Import Capability Assignment Process, Step 4b. CAISO states that this process is analogous to how it reserves import capability for pre-resource adequacy commitments in the import allocation process. Transmittal at 6.

[15] Transmittal at 7 (citing *Decision Adopting Resource Adequacy Import Requirements*, Docket No. RM17-09-020 at 69–70 (CPUC June 25, 2020)).

[16] *Id.* at 2, 7. CAISO notes that its proposed total reserved amount for each LSE represents the sum of all their existing contract import capability, pre-resource adequacy import commitment capability, and new use import commitment capability; CAISO's proposed total import allocation is the sum of existing contract import capability, pre-resource adequacy import commitment capability, new use import commitment capability, and remaining import capability as communicated per Step 7 of CAISO's import allocation process. Proposed CAISO eTariff, § 40.4.6.2.2.4, Reserving import capacity as New Use Import Commitment.

[17] Transmittal at 7; Proposed CAISO eTariff, § 40.4.6.2.2.4, Reserving import capacity as New Use Import Commitment.

commitment (either partial or in its entirety), will result in the loss of new use import commitment status.[18]

7. CAISO also proposes to modify the methodology for allocating remaining import capability to LSEs. CAISO currently assigns remaining import capability to LSEs that have not received existing contract import capability and pre-resource adequacy import commitment capability exceeding their load share quantity, and are eligible to receive an assignment based on each LSE's import capability load share ratio up to its load share quantity.[19] CAISO proposes to calculate each LSE's remaining import capability allocation by the product of its gross remaining import capability and its load share after removing non-eligible LSEs.[20] CAISO states that these revisions produce import allocations consistent with LSEs' import capability load share, while respecting allocations based on prior steps in the import allocation process.[21]

8. Lastly, CAISO proposes to provide additional transparency for import allocations at each intertie by posting to its website information on the name of the holder of existing contracts and transmission ownership rights, pre-resource adequacy import commitments and new use import commitments as well as maximum locked up amount, lock start date, lock expiration date, and potentially other available information that provides stakeholders with information regarding the allocation process.[22]

9. According to CAISO, the proposed Tariff revisions build off its existing import allocation process that allows LSEs to enter multi-year import contracts to secure necessary resources to serve California's resource adequacy needs. Without the proposed revisions, CAISO asserts, LSEs will have no ability to secure long-term import capability at the intertie level to support multi-year import capacity contracts. CAISO states that if local regulatory authorities adopt multi-year resource adequacy requirements, CAISO

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[18] Transmittal at 8; Proposed CAISO eTariff, § 40.4.6.2.2.4, Reserving import capacity as New Use Import Commitment.

[19] CAISO eTariff, § 40.4.6.2.1, Available Import Capability Assignment Process, Step 5.

[20] CAISO explains that the gross remaining import capability is calculated by subtracting the sum of the MW quantity assigned to excluded LSEs from the total import capability. Proposed CAISO eTariff, § 40.4.6.2.1, Available Import Capability Assignment Process, Step 5.

[21] Transmittal at 9.

[22] *Id.* at 9–10; Proposed CAISO eTariff, § 40.4.6.2.1, Available Import Capability Assignment Process, Step 6(e).

commits to work to ensure that its proposed import allocation process remains consistent with the requirements of local regulatory authorities.[23]

III. Notice of Filing and Responsive Pleadings

10. Notice of CAISO's filing was published in the *Federal Register*, 86 Fed. Reg. 15,931 (Mar. 25, 2021) with answers, interventions, and comments due on April 8, 2021. Calpine Corporation, Pacific Gas and Electric Company, Southern California Edison Company, Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California, Modesto Irrigation District, Imperial Irrigation District, San Diego Gas & Electric Company, California Department of Water Resources State Water Project, and Northern California Power Agency filed timely motions to intervene. CPUC filed a timely notice of intervention. Powerex Corp. (Powerex) and the City of Santa Clara, California, doing business as Silicon Valley Power (SVP), filed timely motions to intervene and comments. On April 23, 2021, CAISO filed a motion for leave to answer and answer.

A. Comments

11. Powerex states that it supports CAISO's objective of ensuring that the available import capability allocation process does not create barriers that limit the ability of LSEs to enter into multi-year, forward import resource adequacy contracts. Powerex states that it believes that the quantity of import resource adequacy contracts that will be able to qualify as new use import commitments under CAISO's proposal is likely to be limited because there currently is little to no dynamic scheduling capability available on key transmission paths to support pseudo-ties or dynamic schedules. Nevertheless, Powerex asserts that CAISO's proposed revisions represent an incremental improvement over the status quo.[24] Powerex, however, requests that the Commission review CAISO's proposed revisions with the foundational understanding that CAISO's current available import capability allocation framework represents a counting mechanism designed to help ensure the deliverability of import resource adequacy contracts, and is not a mechanism for providing access to physical transmission rights.[25]

12. In its comments, SVP acknowledges that the multi-year approach to maximum import capability is necessary to make incremental resources available to the CAISO

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[23] Transmittal at 10–11.

[24] Powerex April 8, 2021 Comments at 6.

[25] *Id.* at 7–8.

market but asserts that CAISO's proposal can be improved.[26] SVP states that CAISO's proposed Tariff section 40.4.6.2.2.4 (Reserving import capacity as New Use Import Commitment) would limit reservations for new use import commitments to the year-ahead load share quantity, which it argues creates a disconnect because the maximum import capability allocated under Step 4.b of Tariff section 40.4.6.2 for new use import commitments is not tied to load share quantities. SVP states that it expects to have a new use import commitment that exceeds its load ratio share, and it asserts that under these circumstances the value of the resource underlying the new use import commitment will be reduced due to the limit on reservations being tied to the load ratio share. SVP asserts that the provisions for new use import commitment resources should provide for their full scheduling, without regard to load share quantities.[27]

13. SVP also notes that the load ratio share calculation is currently based on a one-hour coincident peak demand determination and argues that allocating based on coincident peak demand is not consistent with the manner in which LSEs are charged for transmission access. SVP points out that LSE payments for transmission access fund the high voltage transmission system that provides the import capability allocated under CAISO Tariff section 40.4.6.2 (Deliverability of Imports). SVP states that because LSEs pay for transmission access based on a purely volumetric charge, allocating maximum import capability based on peak demand favors LSEs with low load factors over those with higher load factors, which it asserts is inconsistent with cost causation principles. SVP submits that a just and reasonable maximum import capability allocation would allocate maximum import capability based on the LSEs' historical or forecasted high voltage transmission access payments, rather than the current load share quantity determined at the time of a CAISO coincident peak.[28]

B. <u>CAISO Answer</u>

14. CAISO states that it agrees with Powerex's comments and affirms that the scope of its proposed revisions is limited to improving the existing import allocation process, not establishing a mechanism to assign physical transmission rights.[29]

15. Next, CAISO states that SVP's comments are outside the scope of the instant filing because SVP advocates for additional changes to CAISO's existing Tariff provisions in a subsequent stakeholder process, while recognizing the need for CAISO's

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[26] SVP April 8, 2021 Comments at 5.

[27] *Id.*

[28] *Id.* at 6–7.

[29] CAISO Answer at 2–3.

proposed revisions here. CAISO states that SVP's concerns primarily relate to the existing maximum import capability allocation process. CAISO states that it is not proposing to change its existing calculation structure by which CAISO allocates remaining import capability based on each LSE's load share ratio, up to its load share quantity, nor is it proposing to change its current capacity-based allocation on which the import allocation is based, consistent with the process for determining LSE resource adequacy requirements.[30]

16. Moreover, CAISO argues that allowing LSEs to lock in long-term import reservations based solely on contracted resources, as SVP proposes, would favor entities that are able to contract with import resources now, without regard to whether such entities need those resources for resource adequacy obligations. CAISO states that capping new use import commitments based on load share quantity maintains a nexus between import allocations and resource adequacy obligations, and notes that in its stakeholder process, CAISO considered, and rejected, a proposal similar to SVP's because it did not address changes in load share ratio or the formation of new LSEs. CAISO states that its proposed revisions ensure that an LSE could not lock import allocation in excess of its load share ratio.[31]

IV. Discussion

A. Procedural Matters

17. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2020), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

18. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2020), prohibits an answer to a protest or comments unless otherwise ordered by the decisional authority. We accept CAISO's answer because it has provided information that assisted us in our decision-making process.

B. Commission Determination

19. As discussed below, we accept CAISO's proposed revisions to its available import capability allocation process as just and reasonable, effective June 1, 2021, as requested. CAISO explains that the landscape for LSEs in California is changing rapidly, with tighter grid conditions throughout the Western Interconnection increasing pressure among LSEs to secure forward commitments from resources to provide long-term

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[30] *Id.* at 3–4.

[31] *Id.* at 5–6.

stability. We agree with CAISO that the proposed tariff revisions implement just and reasonable measures to update the import capability allocation process.[32]

20. Specifically, we find that CAISO's proposed revisions allowing LSEs to reserve import capability consistent with their long-term import contracts at the intertie level on a multi-year basis during each annual import capability allocation process are just and reasonable. These revisions will help address challenges associated with the current tariff, which restricts import capability allocations to a single year, and the uncertainty LSEs face regarding the quantity of import capability available to meet resource adequacy requirements at any specific intertie from one year to the next. We therefore find that CAISO's proposed Tariff revisions will reduce barriers to multi-year forward contracting by allowing LSEs to reserve import capability upon a showing that they have entered into resource adequacy contracts as either pseudo-tied or dynamically scheduled resources or as self-scheduled resources.

21. We also accept as just and reasonable CAISO's proposed Tariff revisions to allocate remaining import capability consistent with load share quantity. We find that these revisions do not interfere with prior steps in the import allocation process, and they should produce import allocations that are consistent with LSEs' import capability load share, ensuring that LSEs could not obtain import allocation in excess of their load share ratios.[33] Because CAISO is proposing to change neither its existing load share quantity calculation nor its existing import allocation methodology that uses load share ratios based on a one-hour coincident peak demand determination, we find that SVP's comments are outside the scope of the instant proceeding. In any event, because we find that CAISO's proposal is just and reasonable, as discussed herein, we need not consider SVP's argument that a just and reasonable proposal would allocate maximum import capability based on the LSEs' historical or forecasted high voltage transmission access payments.[34]

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[32] We also note that CAISO expressed its agreement with Powerex that the purpose of the Tariff revisions is to improve the existing import allocation process, and not to establish a mechanism to assign physical transmission rights. *Id.* at 2–3.

[33] *See supra* notes 19–21 and accompanying text.

[34] *See, e.g.*, *City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) (when determining whether a proposed rate was just and reasonable, the Commission properly did not consider "whether a proposed rate schedule is more or less reasonable than alternative rate designs").

22. Finally, we find that CAISO's proposed Tariff revisions to publish additional information regarding import capability allocations at each intertie are just and reasonable. These revisions will increase transparency for CAISO's stakeholders.

The Commission orders:

CAISO's proposed revisions are hereby accepted, effective June 1, 2021, as requested, as discussed in the body of this order.

By the Commission. Commissioner Chatterjee is not participating.

(S E A L)

Kimberly D. Bose,
Secretary.