

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

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

California Independent System Operator Corporation      Docket No. ER14-1647-000

ORDER ACCEPTING AGREEMENT

(Issued May 30, 2014)

1. On April 1, 2014, pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> the California Independent System Operator Corporation (CAISO) filed a non-conforming Net-Scheduled Participating Generator Agreement between CAISO and the Elk Hills Power Project (Elk Hills Participating Generator Agreement). The Elk Hills Participating Generator Agreement provides for CAISO to model and dispatch the Elk Hills facility on a gross, rather than net, basis, while preserving the net settlement rules applicable to net-scheduled resources. As discussed below, we accept the proposed Elk Hills Participating Generator Agreement, effective June 1, 2014, as requested.

**I. Background**

2. Elk Hills is a 550 megawatt combined-cycle cogeneration unit serving the oilfield electric and thermal load of Occidental of Elk Hills Inc. CAISO states that Elk Hills operates as a net-scheduled generating unit under the CAISO tariff, and as a result, its self-provided load is not subject to CAISO demand-based charges. CAISO adds that Elk Hills is currently a party to a qualifying facility participating generator agreement with CAISO. Under the CAISO tariff and the qualifying facility participating generator agreement, the resource is net-scheduled into the CAISO markets, i.e., only the quantity of generation to be exported to the grid is scheduled.

3. CAISO explains that because the net output is variable, CAISO must use approximations for net modeling, including power ramp rates on portions of operating capacity and reservation of capacity to account for the self-provided load, with an allowance for error. CAISO states that one consequence of using such approximations is

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<sup>1</sup> 16 U.S.C. § 824d (2012).

that the market is not able to fully utilize the resource's capability, which is undesirable from both CAISO's and Elk Hill's perspective.<sup>2</sup>

4. In order to address this, CAISO states that it and Elk Hills concluded that gross modeling and telemetry is the most practical way to allow the resource to have greater participation in CAISO markets. As a result, CAISO states that it and Elk Hills propose the Elk Hills Participating Generator Agreement under which CAISO will model and dispatch Elk Hills based on gross telemetry. CAISO explains that gross modeling will allow CAISO to see the entire capacity of the resource without any reservation of capacity set aside for self-provided load. CAISO states that Elk Hills will provide CAISO with the estimated demand of the self-provided load (the same net settlement for net-scheduled resources provided in the CAISO tariff).<sup>3</sup>

5. According to CAISO, the Elk Hills Participating Generator Agreement will enhance both Elk Hill's ability to sell its available energy and ancillary services into the market and CAISO's ability to model the resource more accurately. Additionally, the Elk Hills Participating Generator Agreement represents a significant step forward in encouraging combined heat and power facilities to offer capacity that is not dedicated to the host industrial process into the CAISO markets.<sup>4</sup> CAISO states that it hopes to encourage new and existing resources to choose the non-conforming version of the net-scheduled participating generator agreement to enable broader product offering of available energy and ancillary services and ramping capability, as the non-conforming agreement preserves the benefits of the net-scheduled participating generator agreement while improving the ability of CAISO to model the resource, which allows for the resource to participate in the CAISO markets more effectively.

6. CAISO explains that the proposed Elk Hills Participating Generator Agreement includes the following non-conforming modifications to the *pro forma* net-scheduled participating generator agreement: (1) section 4.2.1 is modified to add a requirement that the participating generator will provide CAISO with its estimated demand of self-provided load on a daily basis, which can be updated in the real-time market and which must be updated if the deviation is significant; (2) section 4.2.2 is replaced with sections 4.2.1.1 and 4.2.1.2, which provide that meters be installed at the point of demarcation and that the participating generator will provide gross, rather than net, telemetry for the net-scheduled generating unit; (3) section 4.2.3 is renumbered as section 4.2.2 and is modified to provide that billing and settlement will be according to net metering at the point of demarcation and that the participating generator will bid and schedule the unit on

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<sup>2</sup> CAISO Transmittal Letter at 3.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 1.

a gross basis; and (4) section 4.5 is modified to provide that CAISO shall dispatch or curtail the net-scheduled generating unit on a gross level, except that CAISO may not dispatch it below its delineated minimum operating limit specified in schedule 1, unless there is a system emergency.<sup>5</sup>

## II. Notice of Filing and Responsive Pleadings

7. Notice of CAISO's filing was published in the *Federal Register*, 79 Fed. Reg. 19,899 (2014), with interventions and comments due on or before April 22, 2014. Timely motions to intervene and comments or protests were filed by the California Energy Commission and Pacific Gas and Electric Company (PG&E). On May 1, 2014, CAISO filed a motion for leave to answer and an answer to PG&E's protest. On May 9, 2014, PG&E filed a motion for leave to answer and answer to CAISO's answer. On May 19, 2014, CAISO filed a motion for leave to answer and an answer to PG&E's answer. On May 20, 2014, the California Public Utilities Commission (CPUC) filed a motion for leave to file comments out of time and comments.

8. The California Energy Commission states that it supports CAISO's Elk Hills Participating Generator Agreement, as it encourages combined heat and power facilities to offer a larger share of their capacity into the CAISO markets. The California Energy Commission adds that the agreement is also consistent with the state's energy and environmental policies that seek to deploy clean and efficient energy resources.<sup>6</sup>

9. PG&E's protest requests that the Commission reject CAISO's filing because CAISO had not provided sufficient information for PG&E to understand the potential consequences to CAISO markets and the impact on electric customers in the CAISO balancing authority area.<sup>7</sup> The protest poses the following seven questions and states that these questions must be addressed before the Commission could reasonably determine that the CAISO's proposed changes to its markets are just and reasonable:

- (1) How will modeling and dispatching Elk Hills on a "gross" basis affect Elk Hills' regulatory must-take generation status?
- (2) Will the changes affect the priority that Elk Hills receives to deliver generation into the CAISO grid?

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<sup>5</sup> *Id.* at 3-4.

<sup>6</sup> California Energy Commission Comments at Attachment A.

<sup>7</sup> PG&E Protest at 3.

- (3) What obligation will Elk Hills or other net-scheduled generators that sign such a non-conforming agreement have to provide an accurate delineated minimum operating limit and how would this be measured?
- (4) What is the impact of Elk Hills providing an estimated demand for self-provided load?
- (5) What are the consequences if accuracy of these estimates is poor or the deviations are significant?
- (6) How might dispatch and/or settlements be affected?
- (7) Does load at the Elk Hills site become unaccounted for load on the CAISO grid? If not, which load serving entity is responsible for procuring energy for this site?

10. The protest also states that PG&E is often the scheduling coordinator in power purchase agreements with net-scheduled generators. PG&E is concerned that CAISO's proposal for the participating generator to schedule and bid the net-scheduled generating unit on a gross basis might create a conflict for PG&E as the scheduling coordinator.<sup>8</sup>

11. In its answer, CAISO states that its tariff includes two types of *pro forma* agreements that set forth the terms under which generating resources agree to participate in CAISO markets: (1) the participating generator agreement, which provides for gross telemetry and metering and (2) the net-scheduled participating generator agreement, which provides for net telemetry, net metering, and net settlement.<sup>9</sup> CAISO explains that the Elk Hills Participating Generator Agreement essentially applies the gross telemetry feature of the *pro forma* participating generator agreement while maintaining the net settlement feature of the *pro forma* net-scheduled participating generator agreement. CAISO reiterates that structuring the Elk Hills Participating Generator Agreement to provide for gross telemetry will allow CAISO to more accurately model the Elk Hills resource, allowing the resource to fully participate in CAISO markets.<sup>10</sup>

12. CAISO also provides answers to PG&E's questions. CAISO states that the regulatory must-take generation will be determined in the same way it is currently

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<sup>8</sup> PG&E Protest at 4-5. PG&E states that it does not have a contractual relationship with Elk Hills, but to the extent that this non-conforming participating generator agreement is available to other net-scheduled generators, it may affect generators with which PG&E does have a contractual relationship.

<sup>9</sup> CAISO May 1 Answer at 2.

<sup>10</sup> *Id.* at 2-3.

determined and administered under Elk Hills' existing qualifying facility participating generator agreement.<sup>11</sup> With respect to the delineated minimum operating limit, CAISO states that the Elk Hills Participating Generator Agreement includes this value in schedule 1 thereto, and CAISO does not propose any changes from the *pro forma* net-scheduled participating generator agreement with respect to how the delineated minimum operating limit is applied.<sup>12</sup>

13. CAISO next explains that Elk Hills will provide CAISO with the estimated demand of its self-provided load through daily forecasts submitted to CAISO's scheduling system, and these can be updated in the real-time market and must be updated if the deviation is significant. CAISO argues that this arrangement provides more information to CAISO than would otherwise exist if the Elk Hills resource were modeled as a static net resource. CAISO adds that with gross telemetry, it will have more accurate information concerning the capacity available to the market from the Elk Hills resource. CAISO further explains that the resource will be settled based on net metered values consistent with the *pro forma* net-scheduled participating generator agreement and the CAISO tariff. CAISO explains that the purpose of the approach set forth in the Elk Hills Participating Generator Agreement is to provide a more accurate way to model this resource that self-provides its own load.<sup>13</sup>

14. Lastly, CAISO explains that the self-provided load will be entirely offset by on-site generation as it is now under the currently-effective qualifying facility participating generator agreement. CAISO asserts that if Elk Hills is unable to meet the requirements of the site host load, standby service will be provided by PG&E under an existing standby service agreement with PG&E dated July 2, 2013, as contemplated in section 4.6(b) of the Elk Hills Participating Generator Agreement.<sup>14</sup>

15. In its answer, PG&E states that, as a result of the information shared by CAISO in its answer and in subsequent discussions between them, PG&E no longer opposes the Commission's approval of the Elk Hills Participating Generator Agreement.<sup>15</sup> PG&E requests, however, that the Commission direct CAISO, before providing this non-

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<sup>11</sup> *Id.* at 6.

<sup>12</sup> *Id.* at 6-7.

<sup>13</sup> *Id.* at 7.

<sup>14</sup> *Id.* at 8.

<sup>15</sup> PG&E Answer at 1.

conforming agreement to any other net-scheduled generating resource, to hold a stakeholder process to fully consider its implications.<sup>16</sup>

16. In its May 19 Answer, CAISO urges the Commission to reject PG&E's request that the Commission order CAISO to conduct a stakeholder process prior to tendering any similar agreement with a different resource. CAISO argues that conducting a stakeholder process prior to tendering any future non-conforming net-scheduled participating generator agreements is unnecessary and unprecedented, as there are no material substantive issues that would require resolution in a stakeholder process.<sup>17</sup>

17. In its comments, CPUC states that it supports CAISO's Elk Hills Participating Generator Agreement, as it will better allow CAISO to model the energy and ancillary services from the Elk Hills resource.<sup>18</sup> CPUC adds that while it fully supports the use of the non-conforming agreement for Elk Hills, it believes that the use of the agreement for other similarly-situated resources should be reviewed and approved on a case-by-case basis and that CAISO should consider PG&E's suggestion to conduct stakeholder meetings to consider the implications of more widespread use of this agreement.<sup>19</sup>

### **III. Discussion**

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

18. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. We will also accept the late-filed comments by CPUC.

19. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2013), prohibits an answer to a protest and/or answer unless otherwise ordered by the decisional authority. We will accept the answers of CAISO and PG&E because they have provided information that assisted us in our decision-making process.

#### **B. Substantive Matters**

20. We find CAISO's proposed Elk Hills Participating Generator Agreement, which allows CAISO to more accurately model the Elk Hills resource, allowing the resource to

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<sup>16</sup> *Id.* at 1-2.

<sup>17</sup> CAISO May 19 Answer at 2-3.

<sup>18</sup> CPUC Comments at 3.

<sup>19</sup> *Id.* at 4-5.

fully participate in CAISO markets, to be just and reasonable and not unduly discriminatory. Under the Elk Hills Participating Generator Agreement, the resource will be settled based on net metered values consistent with the *pro forma* net-scheduled participating generator agreement and the CAISO tariff.

21. CAISO's 2012 tariff amendment submitted in Docket No. ER12-2634, provided for a higher scheduling priority for the portion of capacity that is dedicated to the host industrial process.<sup>20</sup> CAISO explains that this development encouraged Elk Hills, an existing combined-cycle facility, to become a combined heat and power qualifying facility.<sup>21</sup> However, unlike most legacy qualifying facilities,<sup>22</sup> the Elk Hills resource is a combined cycle facility with a relatively large amount of capacity available to participate in the CAISO markets. Due to these unique operating characteristics, CAISO has found it difficult to model on a net basis.

22. Addressing these modeling difficulties, the Elk Hills Participating Generator Agreement essentially applies the gross telemetry feature of the *pro forma* participating generator agreement while maintaining the net settlement feature of the *pro forma* net-scheduled participating generator agreement. We find that this is a reasonable approach.

23. We find that structuring the Elk Hills Participating Generator Agreement to provide for gross telemetry will allow CAISO to more accurately model the Elk Hills resource allowing the resource to fully participate in the CAISO markets. It will also allow for the continuation of its net settlement rules for any self-scheduled load by Elk Hills. We find that these changes effectively create a hybrid between the *pro forma* participating generator agreement and the *pro forma* net-scheduled participating generator agreement. That is to say, the scope of information provided by Elk Hills will be similar to the information provided by a resource under the *pro forma* participating generator agreement; however, the net settlement provisions will be the same as net settlement under the *pro forma* net-scheduled participating generator agreement. Thus the Elk Hills Participating Generator Agreement contains provisions that the Commission has already found to be just and reasonable in two different *pro forma* agreements.

24. We agree with PG&E that the questions it raised in its protest have been adequately addressed by CAISO, as described above. Further, we do not share PG&E's concern about similarly situated resources seeking to enter into a non-conforming net-

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<sup>20</sup> *Cal. Indep. Sys. Operator Corp.*, 141 FERC ¶ 61,176 (2012).

<sup>21</sup> CAISO Transmittal Letter at 1.

<sup>22</sup> Legacy qualifying facilities are those subject to a qualifying facilities participating generator agreement, the predecessor to the current net-scheduled participating generator agreement.

scheduled participating generator agreement comparable to the Elk Hills Participating Generator Agreement.<sup>23</sup> CAISO anticipates that resources that might choose to enter into such agreements would primarily be resources with significant capacity available to the CAISO markets, i.e., resources comparable to the Elk Hills resource.<sup>24</sup> Offering similarly situated resources the opportunity to enter into agreements that provide benefits similar to the Elk Hills Participating Generator Agreement would not be inappropriate or inconsistent with the FPA. We will continue to act on any such non-conforming agreements on a case-by-case basis, until such time as CAISO might seek Commission approval for a *pro forma* version to be included in its tariff.

25. For the reasons discussed above, we accept CAISO's proposed Elk Hills Participating Generator Agreement, as it is just and reasonable and not unduly discriminatory.

The Commission orders:

CAISO's Elk Hills Participating Generator Agreement is hereby accepted, effective June 1, 2014, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>23</sup> PG&E Protest at 3-4.

<sup>24</sup> CAISO May 1 Answer at 4-5.

Document Content(s)

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