

183 FERC ¶ 61,146
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Willie L. Phillips, Acting Chairman;
James P. Danly, Allison Clements,
and Mark C. Christie.

California Independent System Operator Corporation Docket No. ER23-1534-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued May 31, 2023)

1. On March 31, 2023, pursuant to section 205 of the Federal Power Act (FPA),¹ the California Independent System Operator Corporation (CAISO) submitted revisions to its Open Access Transmission Tariff (Tariff) to implement market changes related to its resource sufficiency evaluation, an element of the Western energy imbalance market (WEIM) that ensures each entity can adequately balance its own supply and demand prior to participating in the real-time market. Specifically, CAISO proposes to: (1) provide WEIM participants the option to access assistance energy transfers at a fixed surcharge if they fail the resource sufficiency evaluation; (2) exclude real-time lower priority exports from CAISO's own resource sufficiency evaluation obligations; and (3) clarify scheduling priorities and E-tagging for lower-priority exports. In this order, we accept CAISO's proposed Tariff revisions, effective as of the actual implementation date, as requested, subject to CAISO notifying the Commission of the actual effective date of the Tariff revisions within five business days of their implementation.

I. Background

2. The resource sufficiency evaluation is a collection of four tests and associated procedures CAISO administers in the real-time market to assess whether balancing authority areas in the WEIM have sufficient capacity and flexibility to meet forecasted demand and ensures that WEIM base schedules are feasible and balanced. The resource sufficiency evaluation functions to help ensure that supply cleared in the real-time market results from economic displacement and restricts balancing authority areas from inappropriately relying on the WEIM to meet needs that should be fulfilled through the forward procurement of capacity. Under the existing Tariff, balancing authority areas that fail the resource sufficiency evaluation are ineligible to receive incremental energy

¹ 16 U.S.C. § 824d.

transfers from other balancing authority areas in the 15-minute market, even when such supply is available.²

3. The resource sufficiency evaluation consists of four tests – the feasibility test, balancing test, capacity test, and flexibility test – and the associated procedures CAISO administers in the real-time market. This proposal pertains to the capacity test, which assesses whether a WEIM entity has provided incremental bid-in capacity to meet the imbalance between load, intertie, and generation base schedules (or market schedules in the case of CAISO). The flexibility test assesses whether a WEIM entity has sufficient ramping capability from the start of an hour to meet the demand forecast and uncertainty in each of the four 15-minute intervals in that hour. Both tests separately evaluate sufficiency in the upward and downward directions. A WEIM entity can therefore fail the capacity or flexibility test in one direction and pass in the other.³

4. Related to the resource sufficiency evaluation within CAISO are CAISO's market scheduling priorities. Because CAISO does not use transmission reservations like those used under the Commission's *pro forma* open access transmission tariff, it instead manages the priority of schedules to address system conditions based on scheduling run priorities defined in its Tariff to curtail self-schedules in its markets. CAISO explains that its markets honor self-schedules if there is sufficient generation and transmission capacity to support them. When there is insufficient transmission capacity to support all transactions, CAISO's market software determines the priority order in which self-schedules will be curtailed and provides CAISO with the means to preserve its access to resource adequacy capacity on its system during stressed conditions. Specifically, as relevant to this proposal, CAISO will curtail lower-priority exports when there is not sufficient resource adequacy capacity to meet CAISO's own system needs.⁴

II. CAISO Proposal

5. CAISO proposes a set of Tariff revisions that CAISO explains are intended to better enable its real-time market to deliver benefits to customers and WEIM participants across the Western United States. First, CAISO proposes to establish a new set of rules to allow a balancing authority area that does not pass the resource sufficiency evaluation to elect to receive assistance energy transfers through the WEIM. CAISO explains that a balancing authority area that chooses to take part in this assistance energy program will not have transfers restricted and will pay an additional surcharge in addition to the applicable cleared price in the market for assistance energy transfers (EIM Assistance

² CAISO Transmittal at 2-3, 4-5.

³ *Id.* at 2-3.

⁴ *Id.* at 4-7, 15-16.

Energy Transfer Surcharge).⁵ CAISO states that a balancing authority area in the WEIM area may obtain assistance energy transfers if its scheduling coordinator has submitted a designation to accept incremental WEIM transfer imports and to pay the EIM Assistance Energy Transfer Surcharge. CAISO notes that a balancing authority area can also reverse its election through the same designation process.⁶

6. CAISO explains that the EIM Assistance Energy Transfer Surcharge is an after-the-fact charge designed to provide an alternative incentive for WEIM balancing authority areas to meet their resource sufficiency obligations during tight supply conditions while making additional supply available to other balancing authorities in the WEIM. CAISO proposes to mirror the Assistance Energy Transfer Surcharge to the level of CAISO's soft energy bid cap and hard energy bid cap by setting it at either \$1,000/MWh or \$2,000/MWh, depending on the prevailing system conditions.⁷ According to CAISO, the EIM Assistance Energy Transfer Surcharge provides a signal to encourage balancing authority areas to take all other reasonable measures to ensure their balancing authority area is resource sufficient before utilizing the assistance energy transfer product. CAISO states that the EIM Assistance Energy Transfer Surcharge will be multiplied by a megawatt-hour quantity that equals the lower of the following values: (i) the quantity of the upward capacity test or the upward flexibility test insufficiency for the EIM balancing authority area, whichever is higher; or (ii) the quantity of net EIM transfers into an EIM balancing authority area excluding base transfers identified on all after-the-fact E-Tags.⁸ CAISO states that revenue from the EIM Assistance Energy Transfer Surcharge will be allocated to the entities that passed the resource sufficiency evaluation and are supplying the assistance energy.⁹

7. CAISO states that these assistance energy transfers will be supported by supply offers voluntarily made into the WEIM. CAISO also emphasizes that receipt of

⁵ CAISO notes that the market clearing process will not consider the EIM Assistance Energy Surcharge, which will be applied after-the-fact.

⁶ *Id.* at 10-11; CAISO, CAISO eTariff, § 29.34 (EIM Operations) (24.0.0), Proposed § 29.34(n)(3).

⁷ CAISO Transmittal at 12; CAISO, CAISO eTariff, app. A (Master Definition Supplement), proposed definition of "EIM Assistance Energy Transfer Surcharge (0.0.0)."

⁸ CAISO, CAISO eTariff, § 29.11 (Settlements and Billing for EIM Market Participants) (19.0.0), Proposed § 29.11(t)(1)(A).

⁹ CAISO Transmittal at 11-14; CAISO, CAISO eTariff, § 29.11 (Settlements and Billing for EIM Market Participants), Proposed § 29.11(t)(1)(B).

assistance energy is likewise voluntary. CAISO notes that it proposes these revisions on an interim basis, to sunset on December 31, 2025, and that it intends to work with its stakeholders to develop an in-market solution.¹⁰

8. Second, CAISO proposes to update the computations of its own upward capacity and flexibility tests under the resource sufficiency evaluation to better reflect operating conditions by excluding real-time lower priority exports from CAISO's obligations.¹¹ At present, these obligations are included in the calculation even though they are curtailable and, therefore, available to CAISO to fulfill its load obligations. However, CAISO notes that under the current Tariff provisions, WEIM energy transfers into the CAISO balancing authority area are not counted as available supply in the resource sufficiency evaluation. CAISO notes that including the obligation associated with lower priority exports has caused CAISO to fail the resource sufficiency evaluation when it otherwise would have passed. Accordingly, CAISO asserts that the exclusion of curtailable real-time lower priority exports from this calculation increases the accuracy of the evaluation. Further, CAISO asserts that excluding the obligations associated with curtailable real-time lower priority exports from the CAISO balancing authority area's resource sufficiency obligations results in a more equitable application of the resource sufficiency evaluation to the CAISO balancing authority area.¹²

9. Third, CAISO proposes clarifications to the scheduling priority rules and E-Tag requirements for lower priority exports. Specifically, CAISO proposes to clarify how it applies the Tariff provisions regarding the scheduling priorities to meet increasing supply needs in the real-time market and ensure that CAISO can manually curtail lower priority exports within the operating hour if CAISO is unable to maintain its own load-serving obligations as a balancing authority area. CAISO asserts that these clarifications are consistent with existing scheduling priorities and compliance with E-Tag protocols, and will enhance transparency to aid CAISO and neighboring balancing authority areas in identifying lower priority exports subject to manual curtailment if emergency conditions materialize.¹³

10. Finally, CAISO proposes revisions to existing Tariff sections 29.34(n)(1) and (2) to clarify the inputs used to determine whether to pool WEIM entities in the first interval

¹⁰ CAISO Transmittal at 11; CAISO, CAISO eTariff, § 29.34 (EIM Operations), Proposed § 29.34(n)(C).

¹¹ CAISO, CAISO eTariff, § 29.34 (EIM Operations), Proposed § 29.34(I)(3)(B).

¹² CAISO Transmittal at 15-18.

¹³ *Id.* at 18-19; CAISO, CAISO eTariff, § 34.12 (CAISO Market Adjustment to Non-Priced Quantities in the RTM), Proposed § 34.12.4 (0.0.0).

of each hour or consider them individually for purposes of determining flexible ramping requirements.¹⁴

11. CAISO requests that the Commission issue an order on the proposed Tariff revisions by May 31, 2023. CAISO states that it is targeting implementation of the proposed revisions by June 1, 2023 but cautions that final implementation may not occur by this date due to enterprise resource demands in implementation of numerous projects. Thus, CAISO requests authorization to inform the Commission of the actual effective date of the Tariff changes pursuant to a subsequent filing within five business days following implementation.¹⁵

III. Notice and Responsive Pleadings

12. Notice of CAISO's filing was published in the *Federal Register*, 88 Fed. Reg. 20,507 (Apr. 6, 2023), with interventions and protests due on or before April 21, 2023. Timely motions to intervene were filed by: Pacific Gas and Electric Company; the City of Santa Clara, California; Modesto Irrigation District; Northern California Power Agency; and the Balancing Authority of Northern California. The California Public Utilities Commission (CPUC) submitted a notice of intervention and comments. Timely motions to intervene and comments in support of CAISO's proposal were filed by Nevada Power Company and Sierra Pacific Power Company (jointly); the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; and the CAISO Department of Market Monitoring. On May 17, 2023, CAISO filed an answer to CPUC's comments.

13. CPUC supports CAISO's proposal to exclude the effects of real-time lower priority exports from the CAISO balancing authority area resource sufficiency evaluation and also supports CAISO's efforts to allow other WEIM participants to access assistance energy transfers. However, CPUC requests that the Commission require CAISO to wait to opt the CAISO balancing authority area into the assistance energy transfer program until after CAISO undertakes further stakeholder consideration. CPUC asserts that certain CPUC programs, such as the CPUC's Base Interruptible Program and demand response programs, may not be accounted for in the resource sufficiency evaluation and, therefore, treatment of these programs in the resource sufficiency evaluation may warrant adjustment. Further, CPUC suggests that day-ahead lower priority exports should be excluded from the CAISO resource sufficiency evaluation, in addition to real-time lower priority exports, in order to help ensure that CAISO does not fail the resource sufficiency evaluation when it has the ability to curtail these exports. Finally, CPUC contends that the CAISO balancing authority area would benefit from better transparency and

¹⁴ CAISO Transmittal at 19-20.

¹⁵ *Id.* at 21-22.

understanding of how flexible ramping product uncertainty requirements will be included in the resource sufficiency evaluation.¹⁶

14. In response to CPUC's request to delay CAISO opting into the assistance energy transfer program, CAISO states that it is already undertaking stakeholder processes to address the criteria for opting into the use of an assistance energy transfer product. CAISO states that, as part of its ongoing process for revising the EIM business practice manual to add details on how CAISO will opt in to receive assistance energy transfers, it has provided a written response to stakeholders that addressed the opt-in issues raised by CPUC in its comments.¹⁷

IV. Discussion

A. Procedural Matters

15. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2022), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

16. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2022), 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. Commission Determination

17. As discussed below, we accept CAISO's proposed Tariff amendments, effective as of the actual implementation date, as requested, subject to CAISO filing a notice with the Commission within five days after CAISO's actual implementation date.

18. First, we accept CAISO's proposal to provide a voluntary option for WEIM participants to elect to receive assistance energy transfers through the WEIM if a participant fails the resource sufficiency evaluation, valid through December 31, 2025. We note that under the existing framework, balancing authority areas that fail the resource sufficiency evaluation are entirely ineligible to receive incremental energy transfers from other balancing authority areas even when such supplies are available through WEIM. We find that the proposal provides increased flexibility to WEIM participants and can help WEIM balancing authority areas to meet their resource sufficiency obligations during tight supply conditions. We also find the proposal allows

¹⁶ CPUC Comments at 4-10.

¹⁷ CAISO Answer at 2-4.

CAISO to optimally dispatch supply and provide access to resources that were not otherwise available. We also accept CAISO's proposal to implement an after-the-fact EIM Assistance Energy Surcharge, including the design to base it on the existing soft energy bid cap or hard energy bid cap (depending on prevailing market conditions). We find that this surcharge should provide an appropriate incentive for WEIM participants to take all other reasonable measures to ensure their balancing authority area is resource sufficient before using the assistance energy transfer product, while still allowing for a last resort measure for acquiring necessary energy under tight supply conditions. We also note that the assistance energy product is a voluntary option, allowing each WEIM balancing authority area to determine when it is appropriate for opt-in or opt-out of the assistance energy product.

19. We also accept CAISO's proposal to exclude real-time lower priority exports from resource sufficiency calculations from CAISO's balancing authority area; specifically, CAISO would no longer include in its tests the obligations associated with curtailable real-time lower priority exports when calculating upward capacity and flexibility in the resource sufficiency evaluation. We agree that the existing framework might result in asymmetry because the resource sufficiency evaluation does not account for WEIM energy transfers into CAISO as available supply, but does account for demand obligations of real-time curtailable exports, which can cause CAISO to fail the resource sufficiency evaluation even when CAISO has sufficient supply. We find that CAISO's proposed revision helps mitigate this asymmetry, and will improve the ability of the resource sufficiency test to more accurately reflect actual system conditions during periods of potential resource insufficiency. We also note that CAISO has clarified that the CAISO balancing authority area would curtail any lower priority exports with hour-ahead market awards within the hour when CAISO does not have enough resources to meet its load and reserve obligation.

20. Additionally, we find just and reasonable CAISO's proposed revisions clarifying priorities and E-tag specifications for lower priority exports. CAISO's proposal clarifies how CAISO would implement the existing scheduling priorities for lower priority exports and priority exports. We find that these clarifications are consistent with CAISO's existing authority to apply the scheduling priorities and help provide better transparency for market participants. Further, we find that these clarifications could help operators identify lower priority exports and priority exports for scheduling and manual curtailment purposes. Finally, we accept CAISO's revisions to clarify the inputs used to determine whether WEIM entities will be considered individually or pooled for flexible ramping requirements, which should help to synchronize the resource sufficiency evaluation with procurement of the flexible ramping product.

21. We find that CPUC's request to delay the CAISO balancing authority area's opt-in to the assistance energy transfer program pending further stakeholder consideration is beyond the scope of this proceeding. Our inquiry here focuses on the sole issue of

whether CAISO has met its FPA section 205 burden to demonstrate that its proposed Tariff revisions are just and reasonable, and does not extend to the question of whether any individual WEIM entity should opt into the assistance energy transfer program. None of the issues raised by CPUC have persuaded us to alter our determination that CAISO's proposed Tariff revisions are just and reasonable.

The Commission orders:

(A) CAISO's proposed Tariff revisions are hereby accepted for filing, to be effective as of the actual implementation date, as requested, as discussed in the body of this order.

(B) CAISO is hereby directed to notify the Commission of the actual effective date of the Tariff revisions within five business days of their implementation, in an eTariff submittal using Type of Filing Code 150 – Report.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.