

149 FERC ¶ 61,064
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

October 22, 2014

In Reply Refer to:
California Independent
System Operator Corporation
Docket No. ER14-2834-000

California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Attn: John C. Anders, Esq.

Reference: Tariff Amendments to the Energy Imbalance Market

Dear Mr. Anders:

1. On September 10, 2014, the California Independent System Operator Corporation (CAISO) filed an amendment under section 205 of the Federal Power Act¹ to the Energy Imbalance Market (EIM) settlement provisions in section 11 of the CAISO tariff. This order accepts CAISO's proposed tariff amendment, effective October 24, 2014, as requested.
2. By way of background, on June 19, 2014, the Commission conditionally accepted proposed tariff revisions filed by CAISO to offer participation in the imbalance energy portion of its real-time market to other balancing authority areas in the Western states.² Under the EIM, entities with balancing authority areas outside of CAISO may voluntarily

¹ 16 U.S.C. § 824d (2012).

² *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231, *order on rehearing and compliance*, 149 FERC ¶ 61,058 (2014). CAISO filed additional tariff revisions on July 23, 2014 to facilitate the participation of multi-stage resources in the EIM and clarify EIM settlement procedures. These tariff revisions were accepted by the Commission on September 22, 2014. *Cal. Indep. Sys. Operator Corp.*, 148 FERC ¶ 61,222 (2014).

take part in the imbalance energy portion of the CAISO locational marginal price-based real-time market alongside participants from within the CAISO balancing authority area.

3. In its filing here, CAISO explains that under its current tariff, it will recover the difference between receipts from load and payments to supply under the EIM by collecting a real-time imbalance energy offset charge and a real-time congestion offset charge.³ According to CAISO, the real-time imbalance energy offset charge consists of two components. Under existing section 11.5.4.1 of its tariff, the first component is calculated using the sum of the net value of EIM transfers and settlements of imbalance energy, less the real-time congestion offset. CAISO then adjusts that calculation to reflect flows between EIM Entity⁴ balancing authority areas and to align the calculation more closely with cost causation. The second component, CAISO states, distributes any residual real-time imbalance energy offset amount among EIM market participants based on measured demand.

4. CAISO now proposes to eliminate the language in section 11.5.4.1(b) of its tariff that provides for the subtraction of real-time congestion offset charges in the initial step of calculating the real-time imbalance energy offset charge.⁵ CAISO states that it determined during the market simulation that subtracting the real-time congestion offset in the calculation of the first component of the real-time imbalance energy offset charge could lead to double charging of EIM Entities or CAISO customers in certain scenarios. Specifically, CAISO asserts that if an EIM Entity balancing authority area's initial real-time energy settlement were to net to zero because supply and demand were equal, subtracting the real-time congestion offset allocation amount from the real-time imbalance energy offset costs would result in real-time imbalance energy costs being artificially increased in that balancing authority area.⁶ CAISO believes that this potential double charging would violate cost causation principles and could also incentivize market behavior that would further distort market outcomes.⁷

³ Transmittal Letter at 2.

⁴ An EIM Entity is a balancing authority area that represents one or more EIM transmission service providers and that enters into an agreement with CAISO to enable the operation of the EIM in its balancing authority area.

⁵ Transmittal Letter at 2.

⁶ *Id.* at 3. CAISO provides an example of this outcome in Attachment C to the Transmittal Letter.

⁷ *Id.* at 2.

5. CAISO asserts that its proposal to eliminate the subtraction of the real-time congestion offset charges will ensure that offset costs are allocated in an equitable manner, consistent with both cost causation principles and stakeholder expectations.⁸

6. CAISO requests an effective date of October 1, 2014 for revised section 11.5.4.1(b) to allow CAISO to settle real-time imbalance offset charges equitably upon the commencement of the EIM, which was initially expected to occur on October 1, 2014.⁹ CAISO requests waiver of the Commission's 60-day notice requirements,¹⁰ and also requests waiver of any requirement of section 35.13 of the Commission's regulations to the extent its filing does not satisfy such requirement.

7. Notice of CAISO's filing was published in the *Federal Register*, 79 Fed. Reg. 56,352 (2014), with interventions and protests due on or before October 1, 2014. Timely motions to intervene were filed by the Modesto Irrigation District; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; PacifiCorp; Pacific Gas and Electric Company; Northern California Power Agency; the Cities of Santa Clara, California and Redding, California, and the M-S-R Public Power Agency; Southern California Edison Company; and California Department of Water Resources State Water Project. On August 14, 2014, Exelon Corporation filed a motion to intervene out-of-time.

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motions to intervene serve to make the entities that filed them parties to the proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2014), the Commission will grant Exelon Corporation's 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.

⁸ *Id.* at 3. Attachment C includes an example showing the outcome when the real-time imbalance energy offset charge is calculated with its proposed revision.

⁹ *Id.* at 4. On September 16, 2014, CAISO filed a motion in Docket No. ER14-2834-001 seeking to modify the effective date of the EIM tariff provision pending in this proceeding to October 24, 2014 (in preparation for a trading date of November 1, 2014). On October 2, 2014, the Commission issued an order accepting CAISO's request to extend the effective date of its EIM tariff revisions from September 23, 2014 to October 24, 2014, subject to the outcome of the order in this proceeding. *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,005 (2014).

¹⁰ 18 C.F.R. § 35.3(a)(1) (2014).

9. We find that CAISO's proposed revision to section 11.5.4.1(b) is just and reasonable, and we will therefore accept it, to become effective October 24, 2014 to coincide with implementation of the EIM, as requested.¹¹ As CAISO asserts, the proposed revision will prevent the potential for double-charging, and thereby help ensure that real-time imbalance energy offset costs are allocated in an equitable manner consistent with cost causation and stakeholder expectations.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

¹¹ 18 C.F.R. § 35.11 (2014). See *Central Hudson Gas and Electric Corp.*, 60 FERC ¶ 61,106, order on reh'g, 61 FERC ¶ 61,089 (1992).

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