

152 FERC ¶ 61,195
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Philip D. Moeller, Cheryl A. LaFleur,
Tony Clark, and Colette D. Honorable.

California Independent System
Operator Corporation

Docket No. ER15-2204-000

ORDER ACCEPTING PROPOSED TARIFF REVISIONS

(Issued September 14, 2015)

1. On July 14, 2015, the California Independent System Operator Corporation (CAISO) filed under section 205 of the Federal Power Act (FPA)¹ proposed revisions to its tariff to revise its validation process for self-schedules supported by existing transmission rights or transmission ownership rights. In this order, we accept CAISO's proposed tariff revisions for filing, effective September 15, 2015, as requested.

I. Background

2. CAISO's tariff provides that scheduling coordinators that submit self-schedules in the CAISO markets, pursuant to the terms of existing transmission contracts or transmission ownership rights, receive a "perfect hedge" against congestion charges, exempting such self-schedules from any congestion charges stemming from the

¹ 16 U.S.C. § 824d (2012).

congestion component of the locational marginal price.² CAISO market rules also give these self-schedules a higher scheduling priority than ordinary self-schedules not supported by existing transmission contracts or transmission ownership rights.³

3. CAISO's market software validates self-schedules designated as supported by existing transmission contracts and transmission ownership rights during the bid submission process to ensure that only authorized holders of those rights receive the perfect hedge.⁴ Under CAISO's currently-effective bid validation rules, CAISO does not reject entirely a self-schedule submitted by a scheduling coordinator that is inconsistent with the contractual terms of an existing transmission contract or transmission ownership right. Instead, if the self-schedule is unbalanced or if it exceeds the capacity limits for the existing transmission contract or transmission ownership right, CAISO accepts the self-schedule as an ordinary self-schedule and assigns it the same lower scheduling priority given to an ordinary self-schedule, while still providing the perfect hedge to the extent a portion of the self-schedule remains consistent with the contractual terms.⁵

4. CAISO explains that its current practice regarding these forms of self-scheduling may result in artificial congestion on the system and adversely impact other market participants through either higher congestion charges for their energy or congestion revenue rights charges caused by the artificial congestion. CAISO states that if a self-schedule is passed on to the market as a price-taker after it was originally submitted as an existing transmission contract or a transmission ownership right self-schedule, the price-taker self-schedule may clear with high locational marginal prices when the available capacity is insufficient to accommodate such a price-taker self-schedule in addition to the reserved capacity from the existing transmission contract or ownership right. Depending

² CAISO Transmittal at 2; CAISO Tariff §§ 11.2.1.5, 11.5.7.1. The CAISO Tariff defines "existing transmission contracts" as "[t]he contracts which grant transmission service rights in existence on the CAISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time." A "transmission ownership right" is "[t]he ownership or joint ownership right to transmission facilities within the CAISO Balancing Authority Area of a Non-Participating TO that has not executed the Transmission Control Agreement, which transmission facilities are not incorporated into the CAISO Controlled Grid." CAISO Tariff, Appendix A, Definitions.

³ CAISO Transmittal at 2; CAISO Tariff §§ 16.5(3), 17.2(2).

⁴ CAISO Transmittal at 2; CAISO Tariff §§ 16.6.1, 17.3.1.

⁵ CAISO Transmittal at 2, CAISO Tariff §§ 16.6.2.2, 16.6.2.3, 17.3.2.2, 17.3.2.3.

on the self-schedule and available capacity, CAISO states, the clearing price may expose other market participants to congestion charges or congestion revenue rights charges simply because of an error made by another market participant in submitting its self-schedule.⁶ In such instances, CAISO does not implement the price correction procedures of its tariff because the charges to which other market participants are exposed are due to a bid-in error by the self-scheduler, which is not a circumstance in which the tariff permits price correction.⁷

II. Proposed Tariff Amendments

5. In the instant filing, CAISO proposes to make two sets of revisions to its tariff. First, CAISO proposes to clarify tariff sections 16.6.2.2 and 17.3.2.2, which address unbalanced existing transmission contract and transmission ownership right self-schedules submitted in the day-ahead and real-time markets.⁸ CAISO proposes to split the existing tariff language in each of those sections into two separate sentences, one addressing the treatment of unbalanced self-schedules submitted in the day-ahead market, and the other addressing the treatment of unbalanced self-schedules submitted in the real-time market.⁹ CAISO states that these separate sentences continue the existing treatment of unbalanced self-schedules and mostly parallel each other with one notable exception: the existing language states that CAISO will remove any scheduling priority for the entirety of an unbalanced self-schedule submitted in the day-ahead market, but CAISO does not propose to remove any scheduling priority for an unbalanced self-schedule submitted in the real-time market.¹⁰ According to CAISO, the reason for this difference is that CAISO has time to remove a scheduling priority for an unbalanced self-schedule submitted in the day-ahead market before the close of the day-ahead market, but can only determine whether a real-time self-schedule is unbalanced after the close of the real-time

⁶ CAISO Transmittal at 2-3.

⁷ *Id.* at 3 n.7.

⁸ CAISO Transmittal at 5.

⁹ *Id.* at 5; Proposed CAISO Tariff §§ 16.6.2.2, 17.3.2.2. CAISO states that, for the sake of clarity, it also proposes to move existing tariff language regarding the submittal of multiple existing transmission right, transmission ownership right, or converted rights self-schedules submitted in a chain from tariff section 16.6.2.1 to tariff sections 16.6.2.2 and 16.6.2.3.2, and from tariff section 17.3.2.1 to tariff sections 17.3.2.2 and 17.3.2.3.2, and to streamline that tariff language. CAISO Transmittal at 5 n.11.

¹⁰ CAISO Transmittal at 5.

market. CAISO states that it does not propose to change the existing treatment of unbalanced self-schedules submitted in the day-ahead and real-time markets.¹¹

6. Second, CAISO proposes to revise tariff sections 16.6.2.3 and 17.3.2.3, which address the consequences if an existing transmission contract or transmission ownership right self-schedule exceeds the applicable capacity limits.¹² CAISO states that the proposed revisions eliminate the potential for artificial congestion and adverse impacts on other market participants resulting from the current validation process for self-schedules supported by existing transmission contracts and transmission ownership rights.

7. Specifically, CAISO proposes to revise the tariff language in sections 16.6.2.3 and 17.3.2.3 to state that it will reject such a self-schedule and inform the responsible scheduling coordinator that its self-schedule has been rejected if CAISO finds the self-schedule to be invalid for any of the following reasons: (1) the self-schedule was submitted with an incorrect contract reference number; (2) the self-schedule exceeds the resource capacity limits in the relevant existing transmission contract or transmission ownership right as registered and identified in the applicable transmission rights and curtailment instructions; or (3) the available capacity limit permissible under the existing transmission contract or transmission ownership right is zero.¹³ According to CAISO, rejection of a self-schedule for any of these three reasons will avoid artificial congestion on transmission constraints by ensuring that the capacity protected with a standard self-schedule is no longer considered in addition to the transmission capacity already considered with the transmission rights.¹⁴ CAISO also proposes to revise those sections to specify CAISO's response if it determines that the self-schedules submitted by scheduling coordinators for a specific existing transmission contract or specific transmission ownership right exceed the non-zero available megawatt-hour limit permissible under the relevant existing transmission contract or transmission ownership right. In such an instance, CAISO will apply settlement treatment to the valid balanced portions and assess any charges or make any payments in accordance with existing tariff provisions.¹⁵

¹¹ *Id.*

¹² *Id.*

¹³ Proposed CAISO Tariff §§ 16.6.2.3.1, 17.3.2.3.1.

¹⁴ CAISO Transmittal at 6.

¹⁵ *Id.* at 6-7; Proposed CAISO Tariff §§ 16.6.2.3.2, 17.3.2.3.2.

III. Notice and Responsive Pleadings

8. Notice of CAISO's proposed tariff revisions was published in the *Federal Register*, 80 Fed. Reg. 42,797 (2015), with protests or motions to intervene due on or before August 4, 2015. Timely motions to intervene were filed by the Six Cities;¹⁶ the Northern California Power Agency; the California Department of Water Resources State Water Project; Pacific Gas and Electric Company; the City of Santa Clara, California; Imperial Irrigation District; and Modesto Irrigation District. No protests or adverse comments were filed.

IV. Discussion

A. Procedural Matters

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Commission Determination

10. We find that CAISO's proposed revisions to its tariff to modify its validation process for self-schedules supported by existing transmission rights or transmission ownership rights are just and reasonable. Specifically, CAISO's proposal will avoid creating artificial congestion on the CAISO system as a result of submitted self-schedules that are inconsistent with the contractual terms of existing transmission contracts or transmission ownership rights. CAISO's proposal will ensure more efficient use of the CAISO-controlled transmission grid, will enhance market outcomes by no longer exposing market participants to congestion charges based on self-scheduling errors, and will provide more accurate and appropriate price signals in the day-ahead and real time markets. Therefore, we accept CAISO's proposed tariff revisions, effective September 15, 2015, as requested.

¹⁶ For purposes of this proceeding, the Six Cities are Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California.

The Commission orders:

CAISO's filing is hereby accepted, effective September 15, 2015, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.