125 FERC ¶ 61,338
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Suedeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

California Independent System Operator Corporation Docket No. ER08-585-000

ORDER CONDITIONALLY ACCEPTING TARIFF REVISIONS

(Issued December 19, 2008)

1. On February 20, 2008, the California Independent System Operator Corporation (CAISO) filed revisions to its current Grid Management Charge rate formula to take effect when the Market Redesign and Technology Upgrade (MRTU) tariff is implemented. The Commission conditionally accepts the CAISO's revisions to the Grid Management Charge rate formula, subject to modification, to be effective on the implementation date of the MRTU, as requested.

I. <u>Background</u>

2. The Grid Management Charge rate formula is the means through which the CAISO recovers its administrative and operating costs, including the costs incurred in establishing the CAISO prior to the commencement of operations. The current rate formula allocates costs to charge types in the CAISO's tariff corresponding to service categories, but customers may not be subject to every charge depending on the service received. The Grid Management Charge operates on a formula basis, subject to certain restrictions; i.e., the CAISO is currently authorized to implement changes to the charges by applying the formula rate to the CAISO's budgeted revenue requirement, as long as the CAISO's annual budget does not exceed $195 million.

3. The Grid Management Charge rate formula was established in settlements approved by the Commission orders issued on February 2, 2005 and September 22, 2005, respectively.[1] The settlements applied to the period from January 1, 2004 through December 31, 2006. Subsequently, the CAISO extended that rate formula, with minor revisions, through the earlier of December 31, 2007 or the implementation date of MRTU.[2] Further, because the implementation date of MRTU was postponed, the CAISO extended the rate formula until the earlier of the implementation date of MRTU or January 1, 2009,[3] and recently until the earlier of the implementation of MRTU or January 1, 2010.[4]

II. The Filing

4. After conducting an extensive stakeholder process, the CAISO proposed Grid Management Charge formula rate revisions to accommodate changes in the CAISO's market operations under MRTU. In addition, the CAISO states that it revised the cost allocation matrix that allocates the costs to the separate service category charges. The CAISO's rates for each service category are based on the CAISO's revenue requirement, the results of an updated cost allocation study, and the anticipated changes in market operations associated with the implementation of MRTU as follows.

A. Core Reliability Services

5. The CAISO explains that the Core Reliability Services charges recover costs associated with the reliable operation of a balancing authority area surrounded by other balancing authority areas to minimize disruptions to system operations. The Core Reliability Services-Demand charge will be assessed on load through demand charges on

[1] *Cal. Indep. Sys. Operator Corp. et al.*, 110 FERC ¶ 61,090 (2005) and *Cal. Indep. Sys. Operator Corp., et al.*, 112 FERC ¶ 61,329 (2005).

[2] *See Cal. Indep. Sys. Operator Corp. and Pacific Gas and Electric Co.*, Docket Nos. ER06-1281-000 and ER06-1282-000 (Sep. 6, 2006) (unpublished letter order).

[3] *Cal. Indep. Sys. Operator Corp. and Pacific Gas and Electric Co.*, Docket Nos. ER08-135-000 and ER08-136-000 (Dec. 19, 2007) (unpublished letter order).

[4] *Cal. Indep. Sys. Operator Corp. and Pacific Gas and Electric Co.*, Docket Nos. ER09-235-000 and ER08-236-000 (Dec. 2, 2008) (unpublished letter order).

a non-coincident peak (megawatt) basis.[5] Exports from the CAISO balancing authority area are assessed a Core Reliability Services charge separately from load through the Core Reliability Services-Energy Export charge. The Core Reliability Services-Energy Export charge will be assessed on a volumetric (megawatt-hour) basis to address concerns that scheduling coordinators that export energy on an intermittent basis might be discouraged from exporting due to higher costs. The CAISO also explains that a non-coincident peak-based charge on exports, as opposed to volumetric-based charge, would have the potential to cause reductions in exports at critical times, possibly affecting system reliability.

B. Energy Transmission Services

6. The CAISO states that the Energy Transmission Services charge represents the scalable portion of grid reliability services, and is a function of the level of use of the transmission system within the balancing authority area and the occurrence of system outages and disruptions. The billing determinant for the Energy Transmission Services-Net Energy charge is megawatt-hours of metered balancing authority area load, excluding the load on transmission ownership rights,[6] as transmission ownership rights are charged separately, as discussed below. The CAISO proposes to modify the billing determinant for the Energy Transmission Services-Uninstructed Deviations charge to reflect changes in the CAISO's market operations under MRTU and to net uninstructed imbalance energy of participating intermittent resources over the trading month.[7]

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[5] A non-coincident peak- or demand-based charge assumes constant megawatt use over a period of time, based on a scheduling coordinator's non-coincident peak. On the other hand, a volumetric- or actual usage-based charge is based on a scheduling coordinator's actual usage over time.

[6] Transmission ownership rights are the rights held by an entity that is not a participating transmission owner, through its ownership or joint ownership of transmission facilities located within the CAISO control area, whose rights have not been incorporated into the CAISO controlled grid.

[7] CAISO February 20, 2008 Filing, Attachment C, Testimony of Mr. Ben Arikawa, Exh. ISO-1 at 14-15.

C. Core Reliability Services/Energy Transmission Services-Transmission Ownership Rights

7. In response to requests by holders of transmission ownership rights and the Commission's June 25, 2007 Order,[8] the CAISO states that it is proposing to modify how the Core Reliability Services and Energy Transmission Services charges are applied to flows on transmission ownership rights. The CAISO states that its cost of providing reliability services for exports on transmission ownership rights is systematically lower than its cost of providing those services to loads and exports served by facilities that make up the CAISO controlled grid. Therefore, the combined Core Reliability Services and Energy Transmission Services rates applied to transmission ownership rights are lower than the Core Reliability Services and Energy Transmission Services rates applied to other exports.

D. Market Usage

8. The CAISO explains that the Market Usage charge recovers the CAISO's cost of operating and monitoring markets for energy and ancillary services and determining market clearing prices. The CAISO states that it proposes to modify the billing determinants for the Market Usage charge to reflect changes in market operations under MRTU. The proposed Market Usage charge has two components: Market Usage-Ancillary Services and Real Time Energy; and Market Usage-Forward Energy. The billing determinant for the Market Usage-Ancillary Services and Real Time Energy component is the sum of: (1) megawatt-hours of ancillary services scheduled day-ahead, in the hour-ahead scheduling process, or real time; (2) megawatt-hours of Instructed Imbalance Energy;[9] and (3) megawatt-hours of net Uninstructed Imbalance Energy.[10] The billing determinant for the Market Usage-Forward Energy component is proposed to be megawatt-hours of net energy purchases and sales in the day-ahead market.

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[8] *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,313 (2007) (June 25, 2007 Order).

[9] Instructed Imbalance Energy is the real-time change in generation output or demand, which is instructed by the CAISO and provided by reserves, units, resources, or loads that are able to respond to the CAISO's request for more or less energy.

[10] Uninstructed Imbalance Energy is the real-time change in generation or demand other than that instructed by the CAISO.

E. Forward Scheduling

9. The CAISO's forward scheduling service provides scheduling coordinators with the ability to submit scheduling for energy, inter-scheduling coordinator trades, awarded residual unit commitments and awarded ancillary service bids. The CAISO states that the Forward Scheduling charge recovers costs associated with its processing of such schedules. Because the CAISO's processing of forward schedules will change under MRTU, the CAISO explains that the billing determinants for the Forward Scheduling charge are modified accordingly in the instant filing.

10. Under MRTU, the full amount of the Forward Scheduling charge will be established and, therefore, the CAISO proposes to eliminate the revenue reduction and fully allocate costs to this charge. The CAISO explains that currently the two instances in which the revenue requirement for Forward Scheduling are reduced and the lost revenue requirement are collected through other charges are when the forward scheduling requirement was originally reduced by 20 percent to phase in the effects of the then-new forward scheduling charge on scheduling coordinators, and the inter-scheduling coordinator trade revenue requirement was reduced by 50 percent.

F. Settlements, Metering and Client Relations

11. The CAISO explains that the Settlements, Metering and Client Relations charge recovers a portion of the CAISO's costs associated with maintaining customer account data, providing account information to customers, calculating market charges, processing settlement statements, resolving customer disputes, responding to customer inquiries, and providing customer training. The design of this charge as a fixed monthly fee is unchanged from the current Grid Management Charge methodology.

G. Removal of Congestion Management Charge

12. The CAISO states that the Grid Management Charge currently includes a charge to recover the costs the CAISO incurs in providing management and operation of inter-zonal congestion markets. However, the CAISO proposes to eliminate the charge from the Grid Management Charge in the instant filing because congestion management is integrated with the CAISO's operation of the day-ahead market under MRTU.

H. Revenue Requirement Trigger and Section 205 Filings

13. The CAISO proposes to increase the annual revenue requirement trigger from $195 million to $197 million; thus, if the CAISO's projected revenue requirement exceeds $197 million, it must make a section 205 filing under the Federal Power Act (FPA) to adjust the Grid Management Charges. The CAISO also includes in its proposed tariff changes a requirement that it make a FPA section 205 rate filing with an effective date of not later than January 1, 2010.

I. Miscellaneous Changes

14. The CAISO proposes to eliminate the discounted rates for schedules on the Mohave transmission line and the discounted forward scheduling rates that were adopted in the settlements that resolved Docket No. ER04-115-000, et al. The CAISO's filing also includes miscellaneous tariff changes to conform to the MRTU market design, implement the revised Grid Management Charge rate formula, and provide consistent treatment and language regarding the Grid Management Charge. Such changes include correcting references and clarifying term definitions.

III. Notice, Intervention, and Responsive Pleadings

15. Notice of the filing was published in the *Federal Register*, 73 Fed. Reg. 19,201 (2008), with motions to intervene, comments, and protests due on or before March 12, 2008. Timely motions to intervene were filed by the following: Southern California Edison Company; Pacific Gas and Electric Company; Modesto Irrigation District (Modesto); California Municipal Utilities Association; City of Santa Clara, California and M-S-R Public Power Agency; Alliance for Retail Energy Markets; Powerex Corp.; Transmission Agency of Northern California; and the Public Utilities Commission of the State of California. Timely motions to intervene with comments and/or protests were filed by the following: California Department of Water Resources State Water Project (State Water Project); Northern California Power Agency (NCPA); and San Diego Gas and Electric Company (San Diego).

16. On March 13, 2008, the Cogeneration Association of California and the Energy Producers and Users Coalition (Cogens/Energy Producers) filed a motion to intervene out-of time. Subsequently, the CAISO and Modesto filed answers to the interventions and protests.

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 (2008), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedures, 18 C.F.R § 385.214(d) (2008), the Commission will grant the Cogens/Energy Producers' late-filed motion to intervene given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

18. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2)(2008), prohibits an answer to a protest unless otherwise ordered by the

decisional authority. We will accept the answers filed by the CAISO and Modesto because they have provided information that assisted us in our decision-making process.

19. The CAISO is granted a waiver of section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11 (2008), to permit the tariff sheets to become effective more than 120 days after the date the proposal was submitted. Further, the CAISO is directed to make an informational filing specifying the effective date of the tariff sheets being accepted herein prior to the implementation of MRTU.

B. Contested Issues

1. Charges for Participating Load

Comments and Protests

20. State Water Project requests clarification of the Grid Management Charges to be imposed on participating load when it is providing demand response. State Water Project argues that if Grid Management charge costs are imposed on generation resources providing both ancillary services and load, then this would result in participating load being double charged.[11]

21. State Water Project explains that participating load is unique when it provides demand response because by having megawatt-hours of participating load bids accepted to provide ancillary services, it is subject to two Grid Management Charges, i.e., for costs imposed on generation and load. State Water Project notes that the instant filing proposes to apply the Core Reliability Services-Demand charge associated with reliability costs and the Energy Transmission Services-Net Energy charge relating to transmission services to loads.[12] State Water Project believes that these two charges would encompass the megawatt-hours of participating load whose ancillary service bid has been accepted, and that the Market Usage-Ancillary Services and Real Time Energy charge component encompasses the same megawatt-hours of participating load whose ancillary service bid has been accepted. State Water Project requests clarification that megawatt-hours of participating load that have been accepted to provide ancillary services should pay only one set of charges – either as load or as generation/demand response, but not both at the same time. State Water Project believes that to double charge participating load

[11] State Water Project March 12, 2008 Comments at 5.

[12] State Water Project cites to CAISO February 20, 2008 Transmittal Letter at 6.

simultaneously as a resource provider and a load would discourage demand response and conflict with Commission policy.[13]

Answer

22. The CAISO disagrees with State Water Project and asserts that no party, including participating load providing ancillary services, will be double charged under the MRTU Grid Management Charges. However, a scheduling coordinator with load in the CAISO control area that provides ancillary services to the CAISO as participating load will be subject to two separate charges because the CAISO incurs two distinct sets of costs: one set of costs to operate a control area and otherwise provide reliable service to loads, and a second set of costs to operate the markets in which the scheduling coordinator participates as a participating load.[14]

23. The CAISO asserts that it is reasonable for a scheduling coordinator to pay charges associated with both distinct services. The CAISO claims that, as demonstrated in its cost study, some of its costs were incurred to provide services to loads and other costs were incurred to operate the CAISO's markets. The CAISO notes that no party has challenged the validity of the CAISO's cost study.

24. The CAISO contends that scheduling coordinators with control area load impose costs on the CAISO to operate its control area reliably, which the CAISO recovers through its Core Reliability Services-Demand charge and Energy Transmission Services-Net Energy charge. When a scheduling coordinator chooses to sell ancillary services to the CAISO as participating load it imposes other costs on the CAISO for market operations, which the CAISO states it recovers through its Market Usage-Ancillary Services and Real Time Energy charge component. The CAISO believes these charges are not duplicative because they recover the distinct costs of providing different services.

Commission Determination

25. We conclude that it is appropriate for the Grid Management Charges to be assessed based on cost causation principles. We agree with CAISO that scheduling coordinators with control area load impose costs that are properly recovered through the Core Reliability Services-Demand and Energy Transmission Services-Net Energy charges. Therefore, it is appropriate to assess participating load with this charge. In

[13] State Water Project cites to *Wholesale Competition in Regions with Organized Electric Markets*, 122 FERC ¶ 61,167, at P 38 (2008).

[14] *See* CAISO March 27, 2008 Answer at 9.

addition, participating load, when providing ancillary services, imposes costs that are separate and distinct from Core Reliability Services-Demand and Energy Transmission Services-Net Energy costs and are properly recovered through the Market Usage-Ancillary Services and Real Time Energy charge component. Therefore, we disagree with State Water Project's comments that participating load will be double charged under the CAISO proposal.

2. Transmission Ownership Rights Billing Determinant

26. In the instant filing, the CAISO proposes a new unit charge applicable to energy exported from the CAISO control area over transmission ownership rights in response to requests by holders of transmission ownership rights and the direction of the Commission.[15] Because the CAISO's cost of providing reliability services for exports on transmission ownership rights is lower than its cost of providing those services to loads and exports served by facilities that make up the CAISO controlled grid, the CAISO states that the combined Core Reliability Services/Energy Transmission Services-Transmission Ownership Rights charge is lower than the Core Reliability Services and Energy Transmission Services charges applied to other exports.[16]

27. The CAISO explains that its proposed tariff revisions assess exports on a volumetric or actual use basis rather than demand basis in response to concerns by exporting customers that a demand charge on exports has the potential for being prohibitively expensive to parties that export energy from the CAISO control area on an intermittent basis.[17] The CAISO adds that assessing exports on a demand basis has the potential for discouraging exports from many of the smaller scheduling coordinators, which could cause reductions in exports at critical times and, in turn, possibly affect system reliability. Further, the CAISO states that, in an emergency situation resulting from the over-generation of power in the CAISO control area, a demand-based export charge could be difficult for a scheduling coordinator to price properly because it could not do so without a reliable forecast of the exports for the entire month to determine the per megawatt-hour cost of the Core Reliability Services-Demand Charge.[18]

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[15] *Cal. Indep. Sys. Operator Corp.*, Docket Nos. ER06-615-003 and ER06-615-005 (Jun. 25, 2007) (unpublished letter order).

[16] CAISO February 20, 2008 filing, Attachment C, Testimony of Mr. Ben Arikawa, Exh. ISO-1 at 13.

[17] *Id.* at 33.

[18] *Id.* at 33-34.

Comments and Protests

28. San Diego contends that the CAISO's proposal to use a volumetric-based billing determinant (megawatt-hours) instead of a demand-based billing determinant (megawatts) for transmission ownership right charges is economically inefficient and inconsistent with cost causation principles.

29. San Diego argues that the transmission ownership right-related costs are fixed and not dependent upon the amount of energy flowing over the relevant transmission lines. San Diego argues that the CAISO uses these charges to recover its costs for reserving transmission ownership rights capacity and monitoring the relevant transmission elements and that these costs are incurred regardless of whether some, all, or none of the transmission ownership rights are actually scheduled. Therefore, San Diego contends the Core Reliability Services charge applicable to transmission ownership rights holders should recover these fixed costs by using a demand-based billing determinant, such as the maximum transmission ownership rights, so that the CAISO can recover its fixed costs even when no transmission ownership rights energy is flowing.

30. Further, San Diego argues that the proposed volumetric-based rate could discourage beneficial transmission ownership rights counter flows and its customers would have to bear higher charges whenever transmission ownership rights counter flows are scheduled to reduce flows in a congested area. San Diego argues that Core Reliability Services charge as proposed would also discourage it from investing in transmission system upgrades of bottlenecks associated with transmission ownership rights.

31. San Diego contends that because the State Water Project transmission ownership rights are in a National Interest Transmission Corridor, the Commission should be particularly careful not to allow a rate design that would discourage efficient use of the transmission ownership rights, or inhibit expansion of the transmission facilities associated with these rights. San Diego claims that a demand-based rate design to recover the transmission ownership rights Grid Management Charge would ensure that these costs are recovered in the same manner that they are incurred. San Diego requests that the Commission accept the CAISO's proposal to treat transmission ownership rights as a separate customer class for Grid Management Charge cost allocation purposes, but instead of billing these costs on a volumetric-based determinant, San Diego requests that the Commission direct the CAISO to use a demand-based billing determinant.

Answers

32. The CAISO contends that San Diego's claim is unfounded. The CAISO explains that it developed the Core Reliability Services/Energy Transmission Services-Transmission Ownership Rights charge in response to stakeholder concerns that exports over transmission ownership rights cause the CAISO to incur lower costs than exports over CAISO controlled grid facilities.

33. The CAISO asserts that it remains reasonable to assess the Grid Management Charge on all exports on the same basis because exporters using facilities within the CAISO controlled grid are charged the Core Reliability Services and Energy Transmission Services charges on a volumetric basis. The CAISO contends that it is reasonable to design the transmission ownership rights charge that replaces them on a volumetric basis as well.[19] The CAISO argues that San Diego has failed to show that a different Grid Management Charge rate design for exports is appropriate solely because of the ownership of the facilities over which the exports take place.

34. The CAISO also argues that the demand-based rate design sought by San Diego would shift responsibility for the CAISO's costs of providing reliability services for exports over transmission ownership rights from San Diego to other transmission ownership rights holders, because San Diego exports energy over its transmission ownership rights at a higher load factor than holders of other transmission ownership rights. The CAISO contends that San Diego fails to show that it is reasonable and appropriate that other transmission ownership right holders, who make less extensive use of their transmission ownership rights, should bear a greater portion of the CAISO's costs.

35. The CAISO disagrees with San Diego's assertion that the costs recovered by the transmission ownership rights charge are fixed and not dependent upon the amount of energy actually flowing over the relevant transmission lines. The CAISO also applies a similar volumetric-based charge to exports that use CAISO controlled grid facilities. The CAISO reiterates that scheduling coordinators pay for their share of reliability-related costs allocated to energy exports through payment of the Core Reliability Services-Energy Export charge, rather than the Core Reliability Services-Demand charge. Thus, the CAISO argues that it is appropriate for exports over transmission ownership rights to have a single variable rate.

36. In its answer, Modesto disagrees with San Diego's protest and states that transmission ownership rights are scheduled just as any other transmission resource, making it economically efficient to base the charge on a variable basis. Modesto also notes that the CAISO's expert testimony provided in the instant filing suggests that transmission ownership rights rely on more of a variable-based approach.[20] Modesto states that it agrees with the CAISO's proposal that transmission ownership rights should be billed based on a volumetric-based billing determinant. In addition, Modesto asserts

[19] CAISO March 27, 2008 Answer at 6.

[20] Modesto cites to CAISO February 20, 2008 filing, Attachment C, Testimony of Mr. Ben Arikawa, Exh. ISO-1 at 13.

that it is purely speculative for San Diego to claim that a variable charge would discourage transmission ownership rights counter flow. In sum, Modesto argues that San Diego does not provide any tangible support for its claim that the volumetric-based rate design would discourage the construction or expansion of transmission.

Commission Determination

37. We agree with the CAISO that through payment of the Core Reliability Services-Energy Export charge, scheduling coordinators pay for their share of reliability-related costs allocated to energy exports. Further, we find that it is appropriate to assess the Core Reliability Services and Energy Transmission Services charges for exports over transmission ownership rights on the same basis that those charges are assessed on all other exports from the CAISO controlled grid, which is a volumetric basis. Further, we find that San Diego fails to provide any evidence that would justify the use of a demand-based billing determinant in favor of the volumetric-based charge proposed by the CAISO. The Commission concludes that the CAISO has shown that the Core Reliability Services/Energy Transmission Services-Transmission Ownership Rights charges imposed on transmission ownership rights are just and reasonable.

3. Market Usage-Forward Energy Charge

a. Load Following Metered Sub-System Issues

Comments and Protests

38. NCPA protests the CAISO's proposed tariff revision to delete a sentence concerning the Grid Management Charge Market Usage charge, which the Commission directed in its April 20, 2007 Order[21] to be included in the tariff. The omitted sentence concerns the assessment of the charge to a load following metered sub-system at section 11.22.2.5.7:

> For a Scheduling Coordinator for a Load following [Metered Sub-System], Instructed Imbalance Energy associated with Load following instructions will not be assessed the Market Usage Charge for Instructed Imbalance Energy and will be netted with Uninstructed Imbalance Energy for determining the Market Usage Charge for net Uninstructed Imbalance Energy.

[21] *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,076, at P 339 (2007) (April 20, 2007 Order).

39. NCPA argues the Commission directed CAISO to include this sentence in its tariff in response to a NCPA protest to a prior CAISO filing. NCPA states that the principle that load-following entities should not incur charges for engaging in the load-following that they are contractually obligated to perform has not been changed; thus, it requests that the Commission direct the CAISO to restore the omitted language to the appropriate place in the MRTU tariff.

Commission Determination

40. In the April 20, 2007 Order, the Commission found that load-following metered sub-systems should not be subject to instructed imbalance energy costs if those costs are a result of imbalances caused by following load in real time.[22] The Commission agrees with NCPA that the language deleted from section 11.22.2.5.7 in the instant filing is necessary to comply with the Commission's April 20, 2007 Order, and that the CAISO has not provided any justification for eliminating that language in the instant filing. Therefore, we direct the CAISO to make a compliance filing within 30 days of the date of this order to submit revised tariff sheets that include the language in section 11.22.2.5.7, as discussed above.

b. Inter-Scheduling Coordinator Trade Transactions

41. The CAISO's proposed tariff language states that the Market Usage-Forward Energy charge is proposed to be applied to megawatt hours of net energy purchases and sales in the day-ahead market. In his testimony, Mr. Arikawa explains that because the day-ahead energy market is new, the CAISO has no direct historical data upon which to base estimates of the Market Usage-Forward Energy billing determinant.[23] However, he states that data exist on total injections (generation plus imports) and total withdrawals (load plus exports) by scheduling coordinator and that the difference consists of either inter-scheduling coordinator trades or real-time purchases and sales of energy. Mr. Arikawa states that if the CAISO had an operating day-ahead market, a portion of the difference between injections and withdrawals for each scheduling coordinator could have been purchased or sold in the day-ahead market.

42. Mr. Arikawa states that not all of the net short or net long positions will be purchased or sold in the day-ahead market and that scheduling coordinators will continue to supplement their positions with inter-scheduling coordinator trades or energy in the

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[22] *Id.*

[23] CAISO February 20, 2008 filing, Attachment C, Testimony of Mr. Ben Arikawa, Exh. ISO-1 at 44-45.

real-time market. He contends that this provides a reasonable proxy for potential day-ahead market activity and that a conservative assumption is that 20 percent will be transacted in the day-ahead market under the assumption that the majority of scheduling coordinator transactions will continue to be through inter-scheduling coordinator trades to balance their schedules until they have more experience with the day-ahead market.

Comments and Protests

43. NCPA contends that there is ambiguity in the language of the CAISO's proposed Business Practice Manual[24] that casts doubt on whether the netting of energy purchases and sales to determine the Market Usage-Forward Energy charge proposed in the instant filing will include all of a scheduling coordinator's inter-scheduling coordinator trades. NCPA asserts that under MRTU the CAISO recognizes two different types of inter-scheduling coordinator trade transactions, i.e., physical and financial. NCPA claims the calculation of the Market Usage-Forward Energy calculations in equation 3.6.1.4.3 of the Business Practice Manual[25] specifically defines the parameters of the equation as including only physical inter-scheduling coordinator trades.

44. NCPA states that the CAISO has not explained the difference between these types of transactions for the purpose of determining total exposure to the Market Usage charges. Further, NCPA asserts that both physical and financial inter-scheduling coordinator trades can be supported by physical generation and parties may mutually agree to settle using either of the available options. NCPA anticipates using both forms of settlement under MRTU and states that if one type of transaction will be subject to Grid Management Charges and the other will not, then the economics of widely-used transactions in the West must be reconsidered. NCPA asks the Commission to direct the CAISO to include both types of inter-scheduling coordinator trade transactions in the calculation of the Market Usage-Forward Energy charge.

45. NCPA also contends that a decision that has such impact on the type of transactions that a market participant might consider should not be buried in the depths of the Business Practice Manual equations. NCPA asserts that the distinction should be clearly set out in the tariff so that market participants can plan accordingly.

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[24] NCPA cites to the CAISO's Settlements and Billing, [Business Practice Manual] Configuration Guide: GMC-Market Usage Forward Energy, CC 4537, Version 1.3.

[25] *Id.*

Commission Determination

46. NCPA questions whether the CAISO will only include physical inter-scheduling coordinator trades in its calculation of Market Usage-Forward Energy charges. However, NCPA raises this issue based on an equation contained in a Business Practice Manual that is not before the Commission. The CAISO's tariff provisions defining and describing the Market Usage-Forward Energy charge, as proposed in the instant filing, do not differentiate between the two types of inter-scheduling coordinator trades when calculating the Market Usage-Forward Energy charge. In fact, the proposed tariff language regarding the allocation of the Market Usage-Forward Energy charge[26] does not specify how inter-scheduling coordinator trades will be accounted for when determining the annual forecasted total purchases and sales. Such details need to be included in the CAISO's tariff to allow scheduling coordinators to understand which services will be subject to the Market Usage charges. Therefore, we hereby direct the CAISO to make a compliance filing within 30 days of the date of this order to propose tariff language addressing how inter-scheduling coordinator trades will be treated with regard to the calculation of Market Usage-Forward Energy charges.

The Commission orders:

(A) The CAISO is granted a waiver of section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11 (2008), to permit the proposed tariff sheets to become effective more than 120 days after the date the proposal was submitted.

(B) The CAISO's proposed tariff revisions are conditionally accepted for filing, subject to the CAISO submitting a further compliance filing within thirty (30) days of the date of this order, as discussed in the body of the order.

(C) The CAISO is directed to make an informational filing specifying the effective date of the tariff sheets being accepted herein prior to the implementation of MRTU.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

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[26] CAISO Tariff Appendix F, Schedule 1, Part A, P 7.

Document Content(s)