

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System)
Operator Corporation)**

Docket No. ER25-2442

**MOTION TO INTERVENE AND COMMENTS
OF THE DEPARTMENT OF MARKET MONITORING
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§385.212, 385.214, the Department of Market Monitoring (“DMM”), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”), submits this motion to intervene and comment in the above-captioned proceeding.

I. SUMMARY

In this filing the CAISO seeks to enhance the Subscriber Participating Transmission Owner (TO) tariff provisions by (1) providing an option for subscribers of Subscriber Participating TO transmission facilities to convert their subscriber rights to congestion revenue rights, and (2) to temporarily suspend for two years the collection and allocation of amounts that result from non-subscribers’ scheduling of import transactions on Subscriber Participating TO transmission facilities.

DMM supports the Subscriber Participating TO model as an approach to incentivize new transmission, and deliver generation to help satisfy municipal, state, or federal energy policy requirements or directives outside of the scope of the transmission planning process. DMM generally supports the economic scheduling option proposed

by the CAISO in this filing, subject to monitoring of the volume of non-subscriber use and any related market impacts. DMM supports the proposed two-year period to monitor non-subscriber use, during which non-subscriber usage charges for imports will not apply.

II. COMMENTS

Background

CAISO's Subscriber Participating TO transmission development model was approved by the Commission in March 2024.¹ This new model allows development of transmission outside of the CAISO transmission plan, and in physical locations outside the boundaries of the existing CAISO balancing authority area, that will be placed under CAISO's operational control. Costs associated with transmission developed under the Subscriber Participating TO model are borne by subscribers of the project instead of being incorporated into the CAISO's transmission access charge. In exchange, subscribers of the project receive a scheduling entitlement and the ability to recover revenue associated with use by non-subscribers. The Subscriber Participating TO model allows for non-subscriber use of transmission developed under this model in exchange for a non-subscriber usage rate.

Subscribers scheduling on Subscriber Participating TO transmission were envisioned to use the ISO's framework for existing transmission contracts. However, the ISO identified some complexities and potential inefficiencies with application of the existing transmission contract model in this context. The Subscriber Participating TO

¹ *Cal. Indep. Sys. Operator Corp.*, 186 FERC ¶ 61,177 (2024) (accepting CAISO Tariff amendment filing effective December 21, 2023, as requested by the CAISO).

market scheduling option initiative sought to address these issues by creating an alternative option for scheduling on Subscriber Participating TO transmission through economic bids and conversion of subscriber existing transmission contract rights to congestion revenue right options.

Throughout the CAISO stakeholder initiative, several stakeholders raised concerns about higher levels of non-subscriber use, impacts of non-subscriber use charges on CAISO transmission ratepayers, and potential gaming scenarios. While DMM acknowledges these concerns and plans to monitor non-subscriber use of Subscriber Participating TO transmission and any related market impacts, DMM generally supports the proposed tariff revisions to implement an economic scheduling option. DMM also supports the proposal of a two-year monitoring period during which non-subscriber usage charges for imports will not apply, and the CAISO's indicated willingness to revisit the non-subscriber usage rate design in the future if necessary.

Impacts on optimization and pricing

The non-subscriber usage rate (NSUR) represents an additional transmission cost to load associated with the delivery of a non-subscriber import. Although not paid directly by CAISO load, non-subscriber usage rate payments to subscribers associated with imports serving CAISO load would be funded from the pool of transmission access charge revenues collected from CAISO load. Therefore, CAISO load remains exposed to these charges when non-subscriber imports serve CAISO load.

In the CAISO stakeholder process, some stakeholders have expressed concern that the exclusion of the NSUR from the market optimization when dispatching non-subscriber import bids may cause inefficient dispatch. If this additional cost of

transmission from non-subscriber imports at subscriber intertie scheduling points is paid after the fact and not considered in dispatch decisions, these imports may appear cheaper to the optimization compared to other imports or internal CAISO resources that may have higher energy costs, but for which CAISO load does not incur any additional transmission charges. If the cost of the cleared non-subscriber import combined with the NSUR exceeds that of a higher cost resource not subject to the NSUR, the total cost to load may be higher than if the NSUR cost were included in the optimization.

Some stakeholders have suggested including the NSUR in non-subscriber import bids as a solution to this issue. Including the NSUR in non-subscriber import bids may improve the merit order of supply bids. However, this approach would have price formation consequences, since the NSUR would then be reflected in the locational marginal price. This may be inefficient from a price formation perspective, as this is not a marginal cost of the importing resource. Further, if this cost is recovered from the pool of collected transmission access charge revenues paid by load, this approach may also cause load to incur the NSUR twice, since it may be incorporated into the locational marginal price, in addition to the monthly NSUR payment.

DMM agrees with the CAISO's statement in the final policy proposal that any adder to be included in non-subscriber bids would require extensive stakeholder discussion and analysis of price formation impacts.² DMM also agrees that such changes would require additional tariff revisions, raise additional implementation questions as to how such an adder could feasibly be included in bids (e.g., by the

² See Pg. 12: *Subscriber Participating TO Market Scheduling Option – Final Proposal*, California ISO, April 24, 2025: <https://stakeholdercenter.caiso.com/InitiativeDocuments/FinalProposal-SubscriberPTOMarketSchedulingOption-Apr232025.pdf>

market participant or by the CAISO), and generally would be beyond the scope of the current initiative. Because of these considerations and the potential for price formation impacts and inefficiencies, DMM supports the CAISO's decision to not pursue this market design element in the proposed tariff changes.

DMM will monitor for potential gaming and market impacts

DMM has had conversations with stakeholders about concerns with potential gaming scenarios involving wheeling transactions on Subscriber Participating TO scheduling points to increase non-subscriber usage rate charges. DMM appreciates these concerns, and will continue to assess the potential incentives and ability to engage in such behavior. DMM intends to closely monitor wheel transactions at Subscriber Participating TO scheduling points for any potential gaming activity or unintended market impacts. DMM will also monitor the level of non-subscriber usage on Subscriber Participating TO transmission more generally, to continue to evaluate the potential magnitude of impacts from issues and concerns raised by stakeholders throughout this initiative.

III. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to these comments and motion to intervene, and afford DMM full rights as a party to this proceeding. Pursuant to the Commission's Order 719, the CAISO tariff states "DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market

Participants, and other interested entities.”³ As this proceeding involves CAISO tariff provisions that would affect the efficiency of CAISO markets, it implicates matters within DMM’s purview.

IV. CONCLUSION

DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

Respectfully submitted,

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Independent Market Monitor for the
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Dated: June 27, 2025

³ CAISO Tariff Appendix P, Section 5.1.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, this 27th day of June, 2025.

/s/ Aprille Girardot
Aprille Girardot