

154 FERC ¶ 61,020
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

January 19, 2016

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER16-366-000

California Independent System Operator Corporation
Attn: Mr. John C. Anders, Esq.
250 Outcropping Way
Folsom, CA 95630

Reference: Energy Imbalance Market Implementation Agreement

Dear Mr. Anders:

1. On November 20, 2015, as corrected on December 9, 2015, the California Independent System Operator Corporation (CAISO) filed an Energy Imbalance Market (EIM) Implementation Agreement (Implementation Agreement) with Portland General Electric Company (Portland General) (together with CAISO, the Parties) setting forth the terms under which CAISO will extend its real-time energy market systems to provide imbalance energy service to Portland General pursuant to CAISO's EIM tariff. Under the Implementation Agreement, Portland General will compensate CAISO for its share of the costs of related system changes, software licenses, and other configuration activities. As discussed below, we accept the Implementation Agreement for filing, effective January 20, 2016, as requested.
2. CAISO states that the Implementation Agreement establishes the contractual terms, including the scope of work and the agreed-upon fee, under which CAISO will take the steps necessary to incorporate Portland General into the EIM by October 1, 2017. CAISO explains that this date allows for completion of all necessary activities based on the size, complexity, and compatibility of Portland General, including filing a certification of readiness with the Commission.¹

¹ CAISO November 20, 2015 Filing (CAISO November 20 Filing) at 2.

3. The Implementation Agreement specifies that Portland General will pay CAISO a fixed implementation fee of \$645,000, subject to completion of certain milestones. Specifically, Portland General will make six \$107,500 payments (for a total of \$645,000) for the recovery of the portion of the costs attributable to CAISO's configuration of its real-time energy market to incorporate Portland General into the EIM. Each payment will be made after the completion of each milestone.² CAISO explains that the fee is based on Portland General's portion of the estimated \$19.65 million cost for CAISO to configure its real-time energy market to function as an EIM available to all balancing authority areas on the Western Electricity Coordinating Council (WECC).³

4. According to CAISO, the implementation fee is just and reasonable because it allocates a portion of the overall cost to Portland General in an amount proportionate to Portland General's share of the benefits that will ensue from the EIM, as measured by usage. Additionally, CAISO states that it affirmed the reasonableness of the implementation fee by comparing it to an estimate of the costs CAISO projects it will incur to configure its real-time energy market to function as an EIM that serves both CAISO and Portland General.⁴

² The agreed-upon milestones are: (1) developing a detailed project management plan in January 2016, and making the Implementation Agreement effective by January 29, 2016; (2) expansion of CAISO's full network model to include Portland General in November 2016, and modeling Portland General into the full network model into a non-production test environment by November 30, 2016; (3) system implementation and connectivity testing in April 2017, and promotion of market network model including the Portland General area to non-production system and allowing Portland General to connect and exchange data by April 28, 2017 in advance of market simulation; (4) construction, testing and training in preparation for market simulation in May 2017, and, by June 6, 2017, signaling that Portland General and CAISO have independently completed EIM system design, development, and testing to participate in joint testing; (5) beginning August 1, 2017, activation of a parallel operation environment to confirm compliance with the EIM readiness criteria set forth in the CAISO tariff; and (6) system deployment and "go live" by October 1, 2017. *Id.*, Attachment A (Implementation Agreement), §§ 4(a), (c) & Exhibit A.

³ CAISO states that it derived a rate that would allocate the projected \$19.65 million to potential entrants into the EIM according to their proportionate share of the total WECC load (excluding CAISO's load) using data reported to WECC. CAISO explains that it applied this amount to Portland General's share of the WECC load to obtain the implementation fee amount. *Id.* at 3.

⁴ *Id.* at 3-4 & Attachment B, Declaration of Michael K. Epstein.

5. The Implementation Agreement states that CAISO will provide prompt notice to Portland General if the sum of its actual costs and its projected costs to accomplish the project exceed the implementation fee. Further, the Implementation Agreement provides that the implementation fee shall be subject to adjustment only by mutual agreement of the Parties if the Parties agree to a change in the project scope, schedule, or implementation date, and the Parties agree that an adjustment of the fee is warranted in light of such change.⁵

6. The Implementation Agreement allows either party to terminate the agreement for any reason, provided the Parties have first entered into good faith discussions for 30 days in an effort to resolve differences.⁶ The Parties also acknowledge that CAISO is required to file a notice of termination with the Commission.⁷ Similarly, Portland General may provide a notice to terminate the agreement and CAISO must discontinue work on the project and will not invoice Portland General for any subsequent milestone payments. In such circumstances, after 30 days' good faith negotiations, CAISO will invoice Portland General for any milestones completed but not already invoiced.⁸

7. The Implementation Agreement provides the opportunity for the Parties to work with third parties to facilitate the project.⁹ The Implementation Agreement also provides that both Parties will continue to abide by their respective compliance obligations, including WECC and North American Electric Reliability Corporation reliability standards.¹⁰

⁵ Implementation Agreement, § 4(b).

⁶ *Id.* § 2(a), (b).

⁷ *Id.* § 2(g).

⁸ *Id.* § 2.

⁹ *Id.* § 12.

¹⁰ *Id.* § 13.

8. Moreover, CAISO notes that the Implementation Agreement is modeled after the implementation agreements between CAISO-PacifiCorp, CAISO-NV Energy, Inc., CAISO-Puget Sound Energy, Inc., and CAISO-Arizona Public Service Company that were previously accepted by the Commission.¹¹ CAISO states that the incorporation of Portland General into the EIM will be subject to the readiness requirements filed by CAISO in compliance with the Commission's directive in Docket Nos. ER15-861-000 and EL15-53-000, which the Commission accepted on November 19, 2015.¹² CAISO explains that a readiness certification would also be filed by CAISO and Portland General at least 30 days prior to implementation. Finally, CAISO anticipates that Portland General will initiate a process to modify its open access transmission tariff during the implementation process.¹³

9. CAISO requests that the Implementation Agreement be made effective on January 20, 2016.

10. Notice of CAISO's filing was published in the *Federal Register*, 80 Fed. Reg. 74,100 (2015), with interventions and protests due on or before December 11, 2015. Timely motions to intervene were filed by Southern California Edison Company; Modesto Irrigation District; Powerex Corp.; Pacific Gas and Electric Company; Northern California Power Agency; the Transmission Agency of Northern California; and the Cities of Santa Clara, California and Redding, California, and the M-S-R Public Power Agency (jointly). On November 24, 2015, Portland General filed a motion to intervene and comments in support of CAISO's November 20 Filing.

11. 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.

¹¹ CAISO November 20 Filing at 2 (citing *California Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,298 (2013); *California Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,200 (2014); *California Indep. Sys. Operator Corp.*, 151 FERC ¶ 61,158 (2015); and *California Indep. Sys. Operator Corp.*, 152 FERC ¶ 61,090 (2015)).

¹² *Id.* at 5 (citing *California Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,205 (2015)).

¹³ *Id.*

12. Portland General asks the Commission to accept the Implementation Agreement with an effective date of January 20, 2016, as requested by CAISO.¹⁴ Portland General asserts that the Implementation Agreement will provide economic benefits to Portland General's customers. In support of this statement, Portland General provides as Attachment A to its comments a study analyzing the potential economic benefits of Portland General's participation in the EIM.¹⁵ According to Portland General, the study analysis estimates that EIM participation could produce \$2.7 million in annual sub-hourly dispatch cost savings for Portland General, with savings increasing to \$6.1 million under alternative scenarios. Portland General states that the study also indicates that pooling of flexibility reserves among EIM participants could provide an incremental \$0.8 million in savings to Portland General in the base scenario, for total benefits of \$3.5 million.¹⁶

13. Portland General also asserts that the implementation fee included in the Implementation Agreement is just and reasonable. According to Portland General, the Implementation Agreement is modeled on previous Commission-approved EIM agreements and includes a fee that properly allocates costs to Portland General in proportion to Portland General's expected benefits from the EIM, as measured by usage.¹⁷

14. We find that the terms of the Implementation Agreement are just and reasonable and not unduly discriminatory or preferential. The Implementation Agreement is a bilateral agreement between the Parties that sets forth the terms under which CAISO will modify and extend its existing real-time energy market systems to provide energy imbalance service to Portland General. The Implementation Agreement also provides for Portland General to pay CAISO a fixed implementation fee of \$645,000, subject to the completion of specified milestones. The implementation fee is based on CAISO's estimate of the costs it would incur if it were to configure its real-time energy market to function as an EIM available to all balancing authority areas in WECC. The implementation fee allocates a portion of that projected overall cost to Portland General in an amount proportionate to Portland General's benefits from the EIM, as measured by

¹⁴ Portland General Comments at 1.

¹⁵ *Id.* at 3; *see id.*, Attachment A.

¹⁶ *Id.* at 4.

¹⁷ *Id.*

usage. No party has contested the reasonableness of the estimate on which the implementation fee is based. As noted by CAISO, the Implementation Agreement is consistent with similar agreements between CAISO and other balancing authorities that have been accepted by the Commission.¹⁸ Accordingly, we accept the Implementation Agreement for filing, effective January 20, 2016, as requested.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

¹⁸ See n.11, *supra*.