196 FERC ¶ 61,060
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

July 23, 2026

In Reply Refer To:
California Independent System Operator Corporation
Docket No. ER26-2595-000

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

Attention: Heather Curlee

Dear Ms. Curlee:

1. On May 21, 2026, pursuant to section 205 of the Federal Power Act,[1] California Independent System Operator Corporation (CAISO) filed a Multilateral Variable Energy Resource (VER) Agreement (Agreement), dated April 23, 2026, among CAISO and SunZia Wind North, LLC and SunZia Wind South, LLC (together, SunZia Parties).[2] CAISO states that the Agreement sets forth the terms under which CAISO will provide a Single-Tier Forecasting Pilot to facilitate market participation in the CAISO balancing authority area by two physical VERs divided into "logical share" resource aggregations and a pseudo-tie export of a portion of generation from these logical shares to an attaining balancing authority area participating in the Western Energy Imbalance Market (WEIM).

2. CAISO explains that it facilitated a dynamic transfer stakeholder process in 2010-2011 that established the rules for pseudo-ties to the CAISO balancing authority area; separately and subsequently, CAISO states, it developed the WEIM rules that went into effect in 2014 and Extended Day Ahead Market (EDAM) rules that went into effect in 2026. CAISO explains that together these rules support pseudo-tied resources within

[1] 16 U.S.C. § 824d.

[2] Transmittal at 5.

the WEIM and EDAM areas and market participation by the associated generating units.[3] CAISO states that in 2024, it received a new Participating Transmission Owner (PTO) application from SunZia Transmission, LLC (SunZia Transmission) to include its high voltage direct current (HVDC) transmission facilities in New Mexico and certain transmission rights in Arizona under CAISO's operational control as a Subscriber PTO.

3. CAISO also explains that SunZia Transmission has entered into a transmission service agreement that provides the generators with firm point-to-point transmission service for the entire expected capacity of the SunZia Transmission line to a point of delivery at the Pinal Central 500 kV Substation; thereafter, the generators rely on contractual entitlements with Arizona Public Service Company (Arizona Entitlements) for service to the boundary of the CAISO-controlled grid. CAISO states that all these facilities, including the Arizona Entitlements, were placed under CAISO's operational control in April 2026, pursuant to a Transmission Control Agreement, and are interconnected to the CAISO balancing authority area.[4]

4. CAISO explains that Appendix N of its Open Access Transmission Tariff (CAISO Tariff) establishes a framework for the sharing of generation resources between balancing authority areas when a generation resource is represented as a pseudo-tie import into or export from the CAISO balancing authority area.[5] CAISO goes on to explain that its existing market models accommodate the registration and forecasting of the physical resource, and these existing market models would allow the physical resources connected to the SunZia system to engage in market participation as either internal CAISO generators or as energy imbalance market (EIM) participating resources but that its existing models do not provide a means to allocate the necessary meteorological forecast from physical resources to the market-participation logical shares.[6] CAISO also states that facilitating the pseudo-tie export and market participation of shared generation resources when those resources require a meteorological forecast will require enhanced forecasting, monitoring, and coordinated operation and allocation and it has not yet developed a standardized framework that addresses the unique arrangements necessary.

5. CAISO asserts that the Agreement details the terms negotiated between CAISO and SunZia Parties to facilitate a pseudo-tie export of a shared VER across neighboring

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[3] *Id.* at 3.

[4] *Id.* at 4-5.

[5] *Id.* at 5 (citing CAISO, CAISO eTariff, app. N, Pseudo-Tie Protocol (7.0.0), § 3).

[6] *Id.* at 6 (citing CAISO, CAISO eTariff, app. Q (Eligible Intermittent Resources Protocol (EIRP)) (15.0.0)).

balancing areas.[7] CAISO states that the Agreement provides for subdivision of physical assets into calculated "Logical Shares," whereby each logical share is assigned a separate resource ID that will allow it to participate in the CAISO markets, consistent with the existing market participation models.[8] CAISO asserts that the Agreement also sets forth the manner by which CAISO will create, distribute, implement, and monitor the allocation of the necessary meteorological forecast from the physical resource to the logical share resources, known as a "Single-Tier Forecasting Pilot." CAISO states that the resources, in turn, are required to communicate certain meteorological, operational, and telemetry baseline information to CAISO.[9]

6. CAISO explains that, following the submission of the Agreement to the Commission, it intends to submit an amendment to Schedule 2 of its existing Dynamic Transfer Balancing Authority Operating Agreement with the attaining balancing area to formalize the pseudo-tie arrangement.[10] CAISO maintains that most of the Agreement includes standard terms and conditions associated with participation in the CAISO markets or in support of other services CAISO provides, similar to those previously accepted by the Commission.[11] CAISO explains that the Agreement clarifies that logical shares registered as EIM participating resources or as CAISO internal generators will report their share of outages in CAISO's outage management system, ensuring that both CAISO and the WEIM balancing authority area are aware of any outages reported for the logical shares in its balancing authority area.[12]

7. CAISO explains that to initiate the pilot, each physical resource owner has designated an "Allocation Factor" from each resource on which CAISO will base the logical shares.[13] CAISO states that the "Allocation Factor" can be expressed either as a

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[7] *Id.* at 1-2.

[8] *Id.* at 1 & n.2.

[9] *Id.* at 6.

[10] *Id.* at 2-3, n.6.

[11] *Id.* at 6 (citing *Cal. Indep. Sys. Operator Corp*, 171 FERC ¶ 61,262 (2020) (accepting a split resource participation agreement between CAISO and the Calpine Sutter Energy Center); *Cal. Indep. Sys. Operator Corp*, 170 FERC ¶ 61,169 (2020) (accepting a nodal pricing model agreement between CAISO and PacifiCorp)).

[12] *Id.* at 8 (citing CAISO, CAISO Non-Conforming Service Agreements, Service Agreement 9194 (Multilateral VER Agreement with SunZia North and South) (0.0.0), § 5.7).

[13] *Id.* at 7 (citing CAISO, CAISO Non-Conforming Service Agreements, Service

percentage or as a megawatt value, with a maximum sum of 100% of the physical resource's registered capacity. CAISO further states that the allocation factors must be identical across all CAISO systems where such data is used or referenced.[14] CAISO notes that the Agreement permits CAISO and SunZia Parties to update the allocation factor in a structured manner.[15]

8. According to CAISO, the Agreement includes safeguards to preserve CAISO's and SunZia Parties' ability to protect against any unforeseen impacts of the Single-Tier Forecasting Pilot. CAISO explains that the limited scope, where the first year of operations is limited to only four associated logical shares, will provide a discrete set of resources for the Single-Tier Forecasting Pilot to administer and from which CAISO can learn lessons for the existing and future similar agreements.[16] CAISO states that if it determines that submitted data or allocation parameters are incomplete or inconsistent or jeopardize forecast accuracy or system reliability, it may apply default values or require corrective actions by the applicable scheduling coordinator.[17] CAISO asserts that this will permit it to evaluate the modeling functionality without unnecessarily increasing the potential adverse impacts of any shortcomings in the model. Finally, CAISO explains that the Agreement safeguards ratepayers, noting that the involved parties agree that the logical shares participating in CAISO markets will forego any bid cost recovery for which they may otherwise be eligible.[18]

Agreement 9194 (Multilateral VER Agreement with SunZia North and South) (0.0.0), sched. 1).

[14] *Id.* (citing CAISO, CAISO Non-Conforming Service Agreements, Service Agreement 9194 (Multilateral VER Agreement with SunZia North and South) (0.0.0), sched. 2, II.B).

[15] *Id.* at 7-8 (citing CAISO, CAISO Non-Conforming Service Agreements, Service Agreement 9194 (Multilateral VER Agreement with SunZia North and South) (0.0.0), § 7.1 (allowing for updates one time per year in cycle with CAISO's full network model updates)).

[16] *Id.* at 9.

[17] *Id.* (citing CAISO, CAISO Non-Conforming Service Agreements, Service Agreement 9194 (Multilateral VER Agreement with SunZia North and South) (0.0.0), sched. 2, V.B).

[18] *Id.* at 11-12 (citing CAISO, CAISO Non-Conforming Service Agreements, Service Agreement 9194 (Multilateral VER Agreement with SunZia North and South) (0.0.0), § 6.1.3).

9. CAISO states that the Agreement documents CAISO's and SunZia Parties' mutual agreement to its terms and conditions and argues that the *Mobile-Sierra* presumption of just and reasonableness applies.[19] CAISO asserts that the Agreement is an individualized contract containing rates, terms, and conditions that apply only to the specific sophisticated parties who negotiated the terms freely and at arm's length, and the terms of the Agreement are not generally applicable and will not apply to any party that did not participate in the negotiations. As such, CAISO argues that the Agreement embodies an individualized rate schedule accommodating a bespoke project arrangement, and that each counterparty is a sophisticated entity that has considerable experience with power market transactions and corresponding negotiations.[20]

10. CAISO requests that the Commission accept the Agreement and allow the Agreement to take effect September 15, 2026, subject to a notification of the actual effective date seven days prior to implementation.[21] While CAISO requested an effective date of September 15, 2026 in its Transmittal, eTariff records submitted by CAISO contain a proposed effective date of 12/31/9998. CAISO explains that a flexible effective date will support timely implementation of logical shares in the CAISO markets and the pseudo-tie export to the attaining balancing area no later than October 1, 2026.[22]

11. Notice of CAISO's filing was published in the *Federal Register*, 91 Fed. Reg. 31446 (May 27, 2026), with interventions and protests due on or before June 11, 2026. A timely motion to intervene and supportive comments were filed by SunZia Parties.

12. SunZia Parties state that they fully support CAISO's filing and urge the Commission to accept the Agreement without modification, suspension, or condition as expeditiously as possible, and to grant the flexible effective date requested by CAISO.[23] SunZia Parties assert that the Agreement is the product of extensive, good-faith, arm's-length negotiations among sophisticated counterparties and reflects a carefully balanced, individualized arrangement that will permit SunZia Parties' projects to participate in the CAISO markets through logical share resource aggregations while

[19] The *Mobile-Sierra* presumption takes its name from two cases decided by the Supreme Court of the United States: *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956) (*Mobile*) and *FPC v. Sierra Pac. Power Co.*, 350 U.S. 348 (1956) (*Sierra*).

[20] Transmittal at 9-11.

[21] *Id.* at 3, 13.

[22] *Id.* at 3.

[23] SunZia Comments at 3.

supporting a pseudo-tie export of a portion of that generation to a neighboring WEIM balancing authority area.[24] SunZia Parties argue that the Agreement is appropriately limited to the unique facts and circumstances of SunZia Parties' resources and does not purport to establish generally applicable Tariff rules or precedent for unrelated future configurations. SunZia Parties argue this is reasonable because CAISO has not yet developed a standardized framework or software modeling for the pseudo-tie export and market participation of shared generation resources that require meteorological forecasting.[25]

13. SunZia Parties argue that the Agreement also contains meaningful safeguards that protect ratepayers and the integrity of the CAISO markets, including the counterparties' express agreement that the logical share resources participating in the CAISO markets under the Agreement shall not be eligible for bid cost recovery under section 11.8 of the CAISO Tariff, as well as robust data validation, telemetry, outage reconciliation, and dispute resolution provisions. SunZia Parties go on to argue that the Agreement is properly characterized as a freely negotiated, bilateral arrangement to which the *Mobile-Sierra* public interest standard of review applies, and there can be no showing that the Agreement seriously harms the public interest.[26] SunZia Parties assert that regulatory certainty regarding acceptance of the Agreement will support the reliable integration of more than 3,000 MW of new generation into the CAISO markets and the broader Western Interconnection.

14. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2025), SunZia Parties' timely, unopposed motions to intervene serve to make them parties to this proceeding.

15. We accept the proposed Agreement. As noted above, CAISO asserts that the *Mobile-Sierra* presumption is applicable here. Under *Mobile-Sierra*, the Commission must presume that certain agreements meet the statutory just and reasonable standard of

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[24] *Id.*

[25] *Id.* at 4.

[26] *Id.* at 4-5.

review.[27] This presumption of justness and reasonableness may be overcome only if the Commission concludes that the agreement "seriously harms the public interest."[28]

16. In assessing whether the *Mobile-Sierra* presumption applies to an agreement, the Commission must determine whether the agreement at issue embodies either: (1) individualized rates, terms, or conditions that apply only to sophisticated parties who negotiated them freely at arm's length; or (2) rates, terms, or conditions that are generally applicable or that arose in circumstances that do not provide the assurance of justness and reasonableness associated with arm's-length negotiations. Unlike the latter, the former constitutes contract rates, terms, or conditions that necessarily qualify for a *Mobile-Sierra* presumption.[29] Applying this test, we find that the *Mobile-Sierra* presumption applies to the Agreement, as the Agreement embodies the characteristics justifying the *Mobile-Sierra* presumption.

17. In accepting, we note, without prejudging any future filing, that CAISO represents that the Agreement does not conflict with existing agreements and provides that the logical shares participating in CAISO markets will forego any bid cost recovery for which they may otherwise be eligible.

18. We accept the Agreement with an effective date of 12/31/9998, as requested. CAISO must make an informational filing notifying the Commission of the actual effective date of the Agreement no less than seven days prior to the date the Agreement is implemented. CAISO should use the eTariff Type of Filing Code 150 - Data Response/Supplement the Record.

By direction of the Commission.

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[27] *See Devon Power LLC*, 134 FERC ¶ 61,208, at P 10 (2011) (citing *Morgan Stanley Cap. Grp. Inc. v. Pub. Util. Dist. No. 1 of Snohomish Cnty*., 554 U.S. 527, 530 (2008) (*Morgan Stanley*), *order on reh'g*, 137 FERC ¶ 61,073 (2011), *aff'd sub nom. New Eng. Power Generators Ass'n v. FERC*, 707 F.3d 364 (D.C. Cir. 2013)).

[28] *Morgan Stanley*, 554 U.S. at 530.

[29] *See, e.g.*, *ITC Midwest LLC*, 144 FERC ¶ 61,241, at P 3 (2013); *La. Pub. Serv. Comm'n v. Entergy Corp.*, 144 FERC ¶ 61,242, at P 4 (2013); *Sw. Power Pool, Inc.*, 145 FERC ¶ 61,137, at P 8 (2013). In *New Eng. Power Generators Ass'n*, 707 F.3d at 370-71, however, the D.C. Circuit determined that the Commission is legally authorized to impose a more rigorous application of the "just and reasonable" standard of review on future changes to agreements that fall within the second category described above.

Carlos D. Clay,
Deputy Secretary.

Appendix – Tariff Record

California Independent System Operator Corporation
CAISO Non-Conforming Service Agreements

- Service Agreement 9194, Multilateral VER Agreement with SunZia North and South (0.0.0).