

172 FERC ¶ 61,102
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

July 29, 2020

In Reply Refer To:
California Independent System Operator
Corporation
Docket No. ER20-1937-000

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

Attention: John C. Anders

Dear Mr. Anders:

1. On May 29, 2020, the California Independent System Operator Corporation (CAISO) filed, pursuant to section 205 of the Federal Power Act,¹ an Energy Imbalance Market (EIM) Implementation Agreement between itself and the Public Service Company of Colorado (PSCo) setting forth the terms under which CAISO will extend real-time energy market systems to provide EIM service to PSCo. As discussed below, we accept the Implementation Agreement for filing, effective July 31, 2020, as requested.
2. The Implementation Agreement between CAISO and PSCo (collectively, the Parties) details the contractual terms under which CAISO will take the steps necessary to incorporate PSCo into the EIM consistent with the identified key milestones and associated payment provisions. CAISO anticipates that PSCo will commence EIM participation no later than April 1, 2022 and explains that the Parties chose this date to allow for completion of all necessary activities based on the size, complexity, and compatibility of PSCo. CAISO notes that the Implementation Agreement is modeled after implementation agreements previously accepted by the Commission and, therefore,

¹ 16 U.S.C. § 824d (2018).

adopts provisions substantially similar to those which have been accepted by the Commission.²

3. The Implementation Agreement specifies that PSCo will pay to CAISO a fixed implementation fee of \$1,485,000, subject to the completion of six specified milestones for recovery of the costs attributable to CAISO's effort to configure its real-time market systems to incorporate PSCo into the EIM.³ CAISO states that the methodology used to determine the implementation fee for PSCo is the same methodology used to determine the previously accepted implementation fees of other EIM participants.⁴ CAISO states that it confirmed 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 the EIM that serves both CAISO and PSCo.⁵

4. The Implementation Agreement also provides for adjustment of the fixed implementation fee by mutual agreement of the Parties in the event that CAISO's actual or expected costs exceed the estimated fee.⁶ The Implementation Agreement allows either party to terminate the agreement for any reason, provided it has first entered into good faith discussions for 30 days in an effort to resolve any differences.⁷ In addition, the Implementation Agreement allows the Parties to work with third parties to facilitate the project⁸ and provides that the Parties will continue to abide by their respective

² CAISO Transmittal at 2.

³ The agreed upon milestones are: (1) effectuating the Implementation Agreement; (2) modeling PSCo into the CAISO Full Network Model; (3) developing a market network model that includes the PSCo area to a non-production test system; (4) beginning testing and structured market simulation; (5) commencing parallel operations; and (6) the first production PSCo energy imbalance market trade date. Implementation Agreement, Ex. A.

⁴ CAISO Transmittal at 4. CAISO states that it derived the implementation fee by allocating the projected \$19.65 million cost CAISO will incur to configure its real-time energy market to function as the EIM available to all balancing authority areas (BAAs) in the Western Electricity Coordinating Council (WECC) (excluding CAISO's load) to PSCo's proportionate share of the total WECC load. *Id.* at 5.

⁵ *Id.*; *see id.* Attachment B (Declaration of April D. Gordon) at 7.

⁶ *Id.* at 5; Implementation Agreement, § 4.

⁷ CAISO Transmittal at 5-6; Implementation Agreement, § 2.

⁸ Implementation Agreement, § 12.

compliance obligations, including WECC and North American Electric Reliability Corporation Reliability Standards.⁹

5. The Implementation Agreement includes various principles regarding the implementation of PSCo's potential participation in the EIM.¹⁰ Specifically, these principles account for PSCo's transition to the EIM from the provisions of an existing Joint Dispatch Agreement (JDA)¹¹ among Platte River Power Authority, Black Hills Colorado Electric, LLC, the Colorado Springs Utilities, and PSCo (collectively, the JDA Parties) that facilitates the centralized intra-hour dispatch of the JDA Parties' resources within PSCo's BAA. CAISO states that the transition from the JDA to the EIM will necessitate termination of the JDA, and that CAISO, in cooperation with PSCo and other stakeholders, will pursue a new EIM relationship with the JDA Parties prior to the implementation date.¹²

6. CAISO states that the new EIM relationship with the JDA Parties will account for the separate scheduling and settlement procedures under which the JDA Parties have been operating under the JDA.¹³ CAISO explains that establishing a new scheduling and settlement relationship between CAISO and the JDA Parties will require authorization of PSCo as the balancing authority and EIM entity. According to CAISO, this new relationship would also require that the other JDA Parties have the forecasting, telemetry, metering, and outage reporting capability sufficient to support accurate and separate scheduling and settlement of their load and non-participating resources. CAISO states that the JDA Parties would need to individually meet the EIM financial security and other CAISO-related scheduling coordinator requirements associated with the separate scheduling and settlement of their load and non-participating resources. CAISO explains that, in the event that one of the JDA Parties other than PSCo is no longer separately

⁹ *Id.*, § 13.

¹⁰ CAISO Transmittal at 3; Implementation Agreement, §14.

¹¹ The Commission accepted the JDA on February 18, 2016. *Pub. Serv. Co. of Colorado*, 154 FERC ¶ 61,107 (2016). The most recent revisions to the JDA were accepted by delegated letter order on March 18, 2020. *Pub. Serv. Co. of Colorado*, Docket No. ER20-950-000, at 1 (Mar. 18, 2020).

¹² In addition to the provisions discussed above, the Implementation Agreement includes a variety of other provisions, including those that address confidentiality; limitations of liability; representations and warranties; general provisions such as notices and amendments; governing law and venue; communication; and dispute resolution. CAISO Transmittal at 6; Implementation Agreement, §§ 5-11.

¹³ CAISO Transmittal at 3. Implementation Agreement, Exhibit B.

scheduled and settled in the EIM, PSCo, as the balancing authority and EIM entity, would assume responsibility under the EIM for such party.

7. Notice of CAISO's May 29, 2020 filing was published in the *Federal Register*, 85 Fed. Reg. 34,614 (June 5, 2020), with interventions and protests due on or before, June 19, 2020. Timely motions to intervene were filed by Pacific Gas & Electric Company, PacifiCorp, Modesto Irrigation District, Municipal Energy Agency of Nebraska, and Basin Electric Power Cooperative. Timely motions to intervene and comments were filed by Western Area Power Administration (Western), Tri-State Generation and Transmission (Tri-State), and Xcel Energy Services, Inc., on behalf of PSCo (Xcel). On June 22, 2020, the City of Santa Clara, California (Santa Clara), and the City of Redding, California (Redding), filed motions to intervene out-of-time. On June 26, 2020, CAISO submitted an answer in response to Western's and Tri-State's comments. On July 1, 2020, Xcel, on behalf of PSCo, filed a motion for leave to answer and an answer to Western's comments.¹⁴

8. PSCo supports CAISO's filing, contending that PSCo's participation in the EIM will provide economic benefits to its customers, in addition to reliability benefits.¹⁵

9. Western states that it supports the integration of multiple electricity markets in the Western Interconnection and the efficient use of transmission assets for that purpose. However, Western explains that it is unable to determine the potential impacts of integrating PSCo into the EIM as PSCo's BAA is substantively surrounded by Western's Western Area Colorado Missouri BAA.¹⁶ Western seeks clarification from CAISO or PSCo on any implementation details that require transmission and wheeling through Western's BAA or may impact Western's existing agreements and reliability. Western states that it is willing to work with CAISO, PSCo, and the JDA Parties, but that Western must agree to the modifications to its existing contracts. Western also understands that PSCo and CAISO are still at an early stage in project development.¹⁷

10. Tri-State states that, while it is a strong supporter of organized markets, it is concerned that the Implementation Agreement may be read to benefit certain non-EIM load-serving entities within the PSCo BAA over others. Tri-State argues that the contemplated additional features to be offered to the JDA Parties may similarly be essential for the participation of other utilities within the PSCo BAA, and that any

¹⁴ For the remainder of this order, we refer to Xcel as PSCo to avoid confusion.

¹⁵ PSCo Comments at 5-7.

¹⁶ Western Comments at 3-4.

¹⁷ *Id.* at 5-6.

additional features and services offered to non-EIM load serving entities within the PSCo BAA should be offered on a non-discriminatory basis. Tri-State seeks clarification on what CAISO intends for the “new EIM relationship” and requests that the proposed engagement processes and new EIM provisions and services be available to all load-serving entities operating within the PSCo BAA, not just the JDA Parties.¹⁸

11. In response, CAISO states that the sole purpose of the Implementation Agreement is to facilitate the recovery of CAISO’s implementation costs for PSCo’s planned participation in the EIM. CAISO also explains that identifying the many implementation details associated with PSCo’s participation in the EIM will occur during the initial phases of the project, including modeling of resources and EIM transfers that are relevant to Western’s specific questions. CAISO asserts that its procedures and requirements provide a framework for it to engage with Western and address its concerns prior to implementing the EIM in PSCo’s BAA. CAISO also states that it will follow the EIM procedures and requirements so that integration of the PSCo BAA into the EIM occurs in a manner compatible with Western’s existing contracts, tariffs, and operating practices.¹⁹

12. In addition, CAISO states that the Implementation Agreement is intended to establish CAISO’s and PSCo’s commitment to work towards the development of a participation framework that accommodates PSCo’s unique circumstances, specifically the transition of all four JDA Parties from the JDA to the EIM. CAISO anticipates undertaking a stakeholder initiative starting early in 2021 to develop the scheduling and settlement rules and establish this new relationship prior to integrating the PSCo BAA. CAISO is also interested in making the options anticipated for the JDA Parties available to any load serving entity within an EIM entity BAA. CAISO argues that such matters are properly addressed through the anticipated stakeholder process, not in this proceeding.²⁰

13. PSCo supports CAISO’s answer to Western’s comments, stating that PSCo recognizes the importance of appropriate coordination among entities potentially impacted by its participation in the EIM. PSCo assures Western that it will support efforts to address any questions Western may have during the implementation process set forth in the Implementation Agreement and CAISO’s tariff, and that it will work with Western and CAISO on necessary coordination agreements or modifications to contracts,

¹⁸ Tri-State Comments at 3-4.

¹⁹ CAISO Answer at 2-3.

²⁰ *Id.* at 4-6.

tariffs, and/or operating practices as part of the implementation process prior to PSCo's participation in the EIM.²¹

14. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2019), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

15. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d), the Commission will grant Santa Clara's and Redding's late-filed motions to intervene given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

16. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2019), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept CAISO's and PSCo's answers because they have provided information that assisted us in our decision-making process.

17. The Implementation Agreement appears to be just and reasonable and has not been shown to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful, and therefore we accept it, effective July 31, 2020, as requested. The Implementation Agreement is a bilateral agreement between CAISO and PSCo that sets forth the terms under which CAISO will extend its existing real-time energy market systems to provide energy imbalance service to PSCo. The Implementation Agreement also provides for PSCo to pay CAISO a fixed implementation fee of \$1,485,000, subject to the completion of specified milestones. Similar to implementation agreements previously approved by the Commission, the implementation fee is based on CAISO's estimate of the costs it would incur to configure its real-time energy market to function as an EIM available to all BAAs in the WECC. The implementation fee allocates a portion of that projected overall cost to PSCo in an amount proportionate to PSCo's benefit from the EIM, as measured by usage.

18. As to Western's request for clarification on implementation details that require transmission wheeling through Western's BAA, those issues are not directly before the Commission at this time and are therefore outside the scope of this proceeding. Nonetheless, we note CAISO and PSCo's respective commitments to work with Western on the details of PSCo's participation in the EIM, as CAISO and PSCo explain in their answers.

²¹ PSCo Answer at 4.

19. As to Tri-State's request for clarification of CAISO's intended new EIM relationship with the JDA Parties, the instant filing concerns the Implementation Agreement between CAISO and PSCo and does not propose to revise the CAISO or PSCo tariffs. Therefore, arguments concerning future modifications to CAISO's and/or PSCo's tariff are outside the scope of this proceeding. We further note that our acceptance of the Implementation Agreement here does not in any way prejudice or predetermine the outcome of any future proceedings.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

Document Content(s)

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