

152 FERC ¶ 61,090
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

July 31, 2015

California Independent System
Operator Corporation
Docket No. ER15-1802-000

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

Attention: John C. Anders
Attorney for the California Independent System Operator Corporation

Reference: Energy Imbalance Market Implementation Agreement

Dear Mr. Anders:

1. On May 28, 2015, the California Independent System Operator Corporation (CAISO) filed an Energy Imbalance Market (EIM) Implementation Agreement (Implementation Agreement) with Arizona Public Service Company (APS) (together with CAISO, Parties) setting forth the terms under which CAISO will modify and extend its existing real-time energy market systems to provide EIM service to APS pursuant to the CAISO's EIM tariff. This will include providing imbalance services to transmission customers taking transmission service under APS's open access transmission tariff (OATT). Under the Implementation Agreement APS will compensate CAISO for its share of costs of related system changes, software licenses and other configuration activities. As discussed below, we accept the Implementation Agreement for filing, effective August 1, 2015, as requested.

2. CAISO states that the Implementation Agreement establishes the contractual terms, scope, and steps necessary to incorporate APS into the EIM by October 1, 2016. CAISO explains that this date allows for completion of all necessary activities based on the size, complexity, and compatibility of APS.¹

¹ CAISO May 28, 2015 Filing (CAISO May 28 Filing) at 2.

3. The Implementation Agreement specifies that APS will pay CAISO a fixed implementation fee of \$970,000, subject to the completion of specified milestones. Specifically, APS will make five \$194,000 payments (for a total of \$970,000) for the recovery of the portion of the costs attributable to CAISO's configuration of its real-time energy market to incorporate APS into the EIM. Each payment will be made after the completion of each specific milestone.² CAISO explains that the fee is based on APS's portion of the estimated \$19.6 million cost for CAISO to configure its real-time energy market to function as an EIM available to all balancing authority areas in 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 APS in an amount proportionate to APS'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 APS.⁴

5. The Implementation Agreement states that CAISO will provide prompt notice to APS 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

² The agreed-upon milestones are: (1) developing a detailed project management plan by July 1, 2015, and making the Implementation Agreement effective by August 1, 2015; (2) expansion of CAISO's full network model to include APS in February 2016, and modeling APS into the full network model into a non-production test environment in March 2016; (3) system implementation and connectivity testing in April 2016, and promotion of market network model including the APS area to non-production system and allowing APS to connect and exchange data in May 2016 in advance of market simulation; (4) construction, testing and training in preparation for market simulation by June 29, 2016, and, in July 2016, signaling that APS and CAISO have independently completed EIM system design, development, and testing to participate in joint testing; and (5) system deployment and "go live" by October 1, 2016. CAISO May 28 Filing, Attachment A (Implementation Agreement), Exhibit A.

³ CAISO states that it derived a rate that would allocate the projected \$19.6 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 APS's share of the WECC load to obtain the implementation fee amount. CAISO May 28 Filing at 3.

⁴ See CAISO May 28 Filing, Attachment B, Declaration of Michael K. Epstein.

Parties if the Parties agree to a change in the project scope, schedule, or implementation date, and the Parties agree that an adjustment to 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, APS may provide a notice to terminate the agreement and CAISO must discontinue work on the project and will not invoice APS for any subsequent milestone payments. In such circumstances, after 30 days' good faith negotiations, CAISO will invoice APS 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

8. Moreover, CAISO notes that the Implementation Agreement is modeled after the implementation agreements between CAISO-PacifiCorp, CAISO-NV Energy, Inc., and CAISO-Puget Sound Energy, Inc. (Puget) that were previously accepted by the Commission.¹¹ CAISO states that the incorporation of APS into the EIM will be subject to the readiness requirements filed by CAISO in compliance with the Commission's

⁵ Implementation Agreement, § 4(b).

⁶ *Id.*, § 2(a).

⁷ *Id.*, § 2(g).

⁸ *Id.*, § 2.

⁹ *Id.*, § 12.

¹⁰ *Id.*, § 13.

¹¹ CAISO May 28 Filing at 2 (citing *California Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,298 (2013); *California Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,200 (2014); and *California Indep. Sys. Operator Corp.*, 151 FERC ¶ 61,158 (2015)).

directive in Docket Nos. ER15-861-000 and EL15-53-000.¹² Finally, CAISO anticipates that after the Implementation Agreement is accepted, APS will propose modifications necessary to its OATT in a subsequent filing.¹³

9. Notice of CAISO's filing was published in the *Federal Register*, 80 *Fed. Reg.* 32,108 (2015), with interventions and protests due on or before June 18, 2015. Timely motions to intervene were filed by Puget; California Municipal Utilities Association; Balancing Authority of Northern California; Alliance for Retail Energy Markets; Powerex Corp.; Pacific Gas and Electric Company; Modesto Irrigation District; the Cities of Santa Clara and Redding, California, and the M-S-R Public Power Agency (jointly); and Transmission Agency of Northern California. APS filed a motion to intervene out-of-time on June 23, 2015. No protests or comments were filed.

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), 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 Procedure, 18 C.F.R. § 385.214(d) (2014), the Commission will grant the late-filed motion to intervene of APS, given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

11. 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 APS. The Implementation Agreement also provides for APS to pay CAISO a fixed implementation fee of \$970,000, 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 APS in an amount proportionate to APS's benefits from the EIM, as measured by 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.¹⁴ We find that the terms of the Implementation Agreement are just and

¹² *Id.*, at 5 (citing *See California Indep. Sys. Operator Corp.*, 150 FERC ¶ 61,191, at P 34 (2015)).

¹³ CAISO May 28 Filing at 5.

¹⁴ *See* n.11, *supra*.

reasonable and not unduly discriminatory or preferential. Accordingly, we accept the Implementation Agreement for filing, effective August 1, 2015, as requested.

By direction of the Commission.

Kimberly D. Bose,
Secretary.