



June 15, 2023

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: California Independent System Operator Corporation  
Docket No. ER22-906-\_\_\_\_  
Quarterly Informational Report Regarding Transmission  
Service and Market Scheduling Priorities Stakeholder Process**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) hereby submits its quarterly report regarding the CAISO's Transmission Service and Market Scheduling Priorities stakeholder initiative as directed by the Commission's March 15, 2022 Order in the above-referenced docket.

Please contact the undersigned with any questions.

Respectfully submitted,

**By: /s/ Anthony Ivancovich**

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# California ISO

**Quarterly Informational Report (Docket No. ER22-906)  
Status of Transmission Service and Market Scheduling  
Priorities Stakeholder Process**

**June 15, 2023**

On March 15, 2022, the Federal Energy Regulatory Commission (Commission) issued an order<sup>1</sup> extending until June 1, 2024 the California Independent System Operator Corporation's (CAISO) tariff provisions regarding the scheduling priorities for wheeling through transactions. The Commission initially approved such tariff provisions on an interim basis -- until June 1, 2022 -- in an order issued on June 25, 2021 in Docket No. ER21-1790.<sup>2</sup> In its March 15, 2022 Order, the Commission also directed the CAISO to file quarterly informational reports to update the Commission on the CAISO's efforts toward developing long-term rules delineating rights for wheeling through transactions across the CAISO grid. The Commission stated that the CAISO must file the reports beginning three months after the March 15 Order and every three months thereafter until the CAISO files a long-term solution with the Commission. The Commission also stated that such reports should describe any long-term alternative solutions being considered in the stakeholder process, explain any potential impediments to implementing any particular solution, and provide an updated schedule for finalizing a proposal. This is the CAISO's fifth report to the Commission.

### **Transmission Service and Market Scheduling Priorities Stakeholder Process**

The CAISO began the *External Load Forward Scheduling Rights Process* initiative, which was subsequently renamed the *Transmission Service and Market Scheduling Priorities* initiative, by hosting a workshop with stakeholders on July 13, 2021. In the workshop, the CAISO explained that the initiative would (1) explore near-term enhancements implementable by the summer of 2022, and (2) build upon the policy discussion that resulted in the April 28 Tariff Amendment, in which the CAISO committed to undertake an initiative to develop a long-term durable framework for establishing priority scheduling rights in its markets.<sup>3</sup> From the outset, the CAISO envisioned the initiative would proceed in two phases: a first phase that would consider enhancements the CAISO could implement by the summer of 2022 and present to the CAISO Board for approval in early 2022; and a second phase in which the CAISO and stakeholders would consider a longer-term, holistic framework for establishing market scheduling priorities that the CAISO could present for CAISO Board approval and implement later.<sup>4</sup>

Regarding Phase 2 of the *Transmission Service and Market Scheduling Priorities* initiative, in the first quarterly report to the Commission, the CAISO described the stakeholder engagement and process steps it had under taken ahead of publishing a straw proposal and provided an overview of the potential approaches it was considering. In its second quarterly report, the CAISO provided a further update regarding the activities and stakeholder engagement in the initiative. In particular, the CAISO described the various

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<sup>1</sup> *California Independent System Operator Corporation*, 178 FERC ¶61,182 (2022) (March 15 Order).

<sup>2</sup> *California Independent System Operator Corporation*, 175 FERC ¶61,245 (2021). This order approved a tariff amendment filed by the CAISO on April 28, 2021 (April 28 Tariff Amendment).

<sup>3</sup> See CAISO presentation, *External Load Forward Scheduling Rights Process Workshop*, at slide 6 (July 13, 2021), available at <http://www.aiso.com/InitiativeDocuments/ISOPresentation-ExternalLoadForwardSchedulingRightsProcessWorkshop-Jul13-2021.pdf>.

<sup>4</sup> *Id.* at slide 12.

features of its straw proposal issued on July 29, 2022. In the third quarterly report, the CAISO provided further updates based on the publication of the Draft Final Proposal issued on December 9, 2022. In the fourth quarterly report, the CAISO described the proposal presented to and approved by the CAISO Board of Governors on February 1, 2023.

On January 18, 2023, the CAISO published its Final Proposal describing its proposed process for establishing wheeling through scheduling priority across the CAISO system.<sup>5</sup> The final proposal contains minor revisions to the draft final proposal to reflect stakeholder input. Under the proposed design, the CAISO would calculate Available Transfer Capability (ATC) across its interties that can be accessed in advance by entities seeking to establish a wheeling through priority equal to CAISO load. Entities seeking to wheel through the CAISO system without reserving remaining ATC in advance would continue to be able to wheel through the CAISO system, albeit with a lower scheduling priority akin to the priority currently afforded to low priority wheeling through transactions.

Under the Final Proposal, the CAISO would calculate ATC across its interties to derive an amount of transmission capacity that entities seeking to wheel through the CAISO system can reserve to establish a scheduling priority equal to CAISO load. The CAISO proposes to calculate ATC in monthly increments across a rolling 13-month horizon and in the daily timeframe across a seven7-day rolling horizon. In calculating ATC, the CAISO would set aside an amount of transmission capacity for existing commitments, including anticipated native load needs and load growth. The CAISO would forecast native load needs based on historical volumes of import supply contracted by CAISO LSEs as represented by historical resource adequacy (RA) imports and contracted import supply that may not have been shown on RA plans. The CAISO would include contracted import supply in this set aside, if it is shown at the time ATC is first calculated for a particular month across the 13-month horizon. There will be a “true-up” in the month ahead timeframe after the actual monthly RA showings and showings of prospective non-RA imports under contract.

Under the Final Proposal, the CAISO would award ATC on the interties through a request window process in which interested parties submit requests to reserve ATC on an intertie to establish wheeling through scheduling priority. Parties would compete to the extent there are more requests than there is ATC on a particular intertie. Requests would be submitted during a specified window period, and parties can request ATC across the horizon for which ATC is calculated, both in the monthly horizon and daily horizon. If there is insufficient ATC to accommodate all the requests, the requests compete with each other based upon the number of hours for which they seek a priority across the horizon for which ATC is available. The requested priority hours must align with the service hours in an underlying firm power supply contract, which is a requirement to support priority wheeling through transactions across the CAISO. Entities securing ATC following this process will receive certainty that they have secured the ATC, and such ATC cannot be taken back or be preempted later (in a

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<sup>5</sup> The Final Proposal is available at <http://www.caiso.com/InitiativeDocuments/FinalProposal-TransmissionService-MarketSchedulingPrioritiesPhase2.pdf>.

future request window). Further, entities requesting the ATC must demonstrate they have a firm power supply contract in place to serve external load (or a power supply contract conditioned upon securing of wheeling through scheduling priority across the CAISO system or ownership of the generating unit). This ensures the limited ATC is made available to external load serving entities (or their suppliers) who need the capacity to serve their load.<sup>6</sup> The CAISO would also set aside capacity in a transmission reliability margin (TRM) to account for uncertainty. Once the ATC is derived, the design allows the wheeling through customer to resell the wheeling through scheduling priority.

Under the Final Proposal, entities obtaining wheeling through scheduling priority would pay the Wheeling Access Charges (WAC) for the month(s) or day(s) across which ATC is reserved based upon the energy delivery timeframes of the underlying power supply contract. For example, an entity seeking wheeling through scheduling priority to support delivery of a 6x16 supply contract would pay the WAC on that same basis whether or not the transaction is actually scheduled on a given day. This approach recognizes the value of establishing a wheeling through scheduling priority equal to load and builds upon the Out of Balancing Authority Area Load Serving Entity (OBAALSE) framework for allocating CRRs to external load serving entities. Fixed WAC payments for a scheduling priority would be credited toward any necessary payments an interested external LSE must make to obtain an allocation of CRRs. These WAC charges would be assessed and settled pursuant to the standard CAISO settlement timelines.

The Final Proposal also described a separate and distinct process whereby entities seeking to establish wheeling through scheduling priority in annual increments, for one year or longer, commencing beyond the 13-month rolling horizon in which the CAISO calculates ATC can submit a request for a study. The CAISO will study such requests in a cluster with other like requests and generator interconnection requests, leveraging the deliverability processes under the Generator Interconnection and Deliverability Allocation Procedures (GIDAP).<sup>7</sup> If a transmission upgrade is needed to accommodate service, the entity submitting the request would be able to fund the transmission upgrade and receive a wheeling through scheduling priority equal to load on a long-term basis. The CAISO currently does not have any such framework for seeking a long-term Wheeling Through priority or funding upgrades for long-term wheeling.

On February 1, 2023, the CAISO presented the Final Proposal to the CAISO Board of Governors and the Western Energy Imbalance Market Governing Body, which approved the proposed design.

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<sup>6</sup> This requirement tracks the energy contract requirement for an external LSE that desires an allocation of congestion revenue rights (CRRs) through the OBAALSE process in Section 36.9 of the CAISO tariff.

<sup>7</sup> CAISO Business Practice Manual, *Generator Interconnection and Deliverability Allocation Procedures*, 2022.

## **Impediments the CAISO Faces**

The CAISO believes it has crafted a balanced approach that will (1) provide opportunities for external entities seeking to serve their load to secure wheeling through scheduling priority in advance, (2) work seamlessly, effectively, and efficiently within the CAISO's market and service framework, (3) ensure reliable service to native load, and (4) be implementable. Some stakeholders prefer that the CAISO implement an OATT-like transmission service framework, but as the Commission has recognized in numerous orders, the CAISO's transmission and market service paradigm is significantly different than the OATT paradigm. A couple of stakeholders also recommend individual measures that are fundamentally inconsistent not only with the CAISO's market and transmission service paradigm, but also with the CAISO's longstanding, Commission-approved resource adequacy framework and with prior Commission orders. The CAISO recognizes the importance of having regulatory clarity on these matters so that entities can align their contracting practices with the rules that will be in effect.

## **Schedule**

The CAISO is currently engaged in the tariff stakeholder process. On March 27, 2023, the CAISO posted tariff language regarding (1) calculating native load needs, including native load growth, and a TRM, (2) calculating ATC on a rolling 13-month basis and on a rolling seven-day basis to determine what ATC is available for monthly or daily Wheeling Through priorities, (3) processes for entities to request and obtain monthly and daily Wheeling Through priorities, (4) pricing of daily and monthly Wheeling Through priorities, and (5) resales Wheeling Through priorities. The CAISO held a stakeholder call on April 14, 2023 to discuss the posted tariff language, and it provided an opportunity for stakeholders to submit written comments on the tariff language.

On June 14, 2023, the CAISO posted revised tariff language in response to stakeholder comments and input on the initially posted tariff language. The CAISO has scheduled a call with stakeholders to discuss the revised tariff language on June 30, 2023 and has provided an opportunity for stakeholders to submit written comments on the revised tariff language. The CAISO intends to make a tariff amendment filing with the Commission regarding these tariff revisions in mid-July 2023. These tariff revisions would implement a more durable Wheeling Through framework that would replace the existing, interim Wheeling Through tariff framework.

Shortly, the CAISO also intends to post an initial draft of tariff language regarding a new, separate and distinct process for obtaining a long-term priority for Wheeling Throughs and building any necessary system upgrades, *i.e.*, a Wheeling Through priority in annual increments commencing beyond the rolling 13-month period in which the CAISO will calculate ATC. This new process will leverage the CAISO's existing GIDAP process. Afterwards, the CAISO will hold a stakeholder call to discuss the tariff language, and it will

provide stakeholders an opportunity to submit written comments. The CAISO anticipates there will be multiple rounds of stakeholdering on the long-term Wheeling Through and upgrade tariff provisions continuing through the Fall of 2023. The CAISO will make a tariff amendment filing regarding the long-term Wheeling Through and upgrade tariff revisions in early January 2024.

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the above-referenced proceeding, 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 15th day of June, 2023.

*/s/ Jacqueline Meredith*  
Jacqueline Meredith