

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System)
Operator Corporation)**

Docket No. ER22-906-000

**MOTION TO INTERVENE AND COMMENTS
OF THE DEPARTMENT OF MARKET MONITORING
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§385.212, 385.214, the Department of Market Monitoring (“DMM”), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”), submits this motion to intervene and comment in the above-captioned proceeding.

I. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to these comments and motion to intervene, and afford DMM full rights as a party to this proceeding. Pursuant to the Commission’s Order 719, the CAISO tariff states “DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market Participants, and other interested entities.”¹ As this proceeding involves CAISO tariff provisions that would affect the efficiency of CAISO markets, it implicates matters within DMM’s purview.

¹ CAISO Tariff Appendix P, Section 5.1.

II. SUMMARY

In this filing, the CAISO proposes tariff changes to maintain wheeling through priorities for an additional two years and to make clarifying and other cleanup edits.² In addition to clarifying and cleanup edits, these proposed tariff changes will:

- Maintain interim tariff provisions that establish wheeling through priorities and allocate capacity between CAISO load and wheeling through transactions during stressed system conditions, and
- Revise tariff provisions the Commission approved on a non-interim basis regarding the resources eligible to back high-priority non-recallable exports

DMM has evaluated the CAISO's proposed tariff changes based on two main criteria: (1) how the resulting transmission prioritization policy provides more overall market certainty and transparency and for all participants, and (2) how the changes will make CAISO's tariff authority more equivalent to the tariff authority that other balancing authority areas (BAAs) in the West have to prioritize native load relative to wheels or exports. By these criteria, DMM supports the current proposed tariff changes as an improvement from rules in place prior to summer 2021. However, DMM has also recommended to the CAISO that future tariff changes and enhancements may further align CAISO's tariff authority with that of other BAAs in the West.

DMM supports the CAISO's proposal to extend current interim wheeling through scheduling priorities to prevent reversion to priorities in place before summer 2021. The current interim priorities provide important market and regulatory certainty for the next two years. However, the interim scheduling priorities to be extended until June 1, 2024 are

² *California Independent System Operator Corporation Phase 1 of Transmission Service and Market Scheduling Priorities Initiative*, California Independent System Operator Corporation, Docket No. ER22-906-000, ("Transmittal Letter").

not ideal for the CAISO BAA, nor are they ideal for neighboring areas that depend on CAISO transmission to serve load.

The interim scheduling priorities may leave the CAISO BAA exposed to reliability risk in the event the quantity of high-priority wheeling through transactions exceed the amount of available transfer capacity. Further, load serving entities in neighboring BAAs continue to lack a process by which they can request and reserve, with certainty, an amount of firm transmission to wheel through CAISO's system. For these reasons, DMM has urged the CAISO to place high priority on developing a long-term wheeling and transmission scheduling process expeditiously.

DMM also supports the proposed revisions to ensure a variable energy resource (VER) designated to support a high-priority export transaction is capable of supporting the export for the hour in which it has submitted a bid, based on its most recent forecast for that hour. As noted in the Transmittal Letter, this will reduce the likelihood the CAISO must support such export transactions using its resource adequacy capacity (RA Capacity) during periods of tight supply.³

Finally, as noted by DMM during this stakeholder process, the CAISO tariff does not reserve the right to curtail high-priority exports before CAISO BAA load under emergency conditions when the generating resource supporting the export is physically unavailable. This omission appears to be a departure from the tariff authority of other Transmission Providers that may expose the CAISO BAA to a degree of reliability risk not faced by other BAAs. DMM supports the current tariff revisions, but has recommended that CAISO continue to consider future tariff revisions and enhancements that may further align the tariff authority of CAISO with that of other BAAs in the West.

³ Ibid.

III. COMMENTS

DMM supports the CAISO's proposal to extend interim wheeling through scheduling priorities implemented in summer 2021.

DMM supports the CAISO's proposal to extend the wheeling through scheduling priorities implemented in summer 2021 to prevent reversion to priorities in place before 2021. The transmission prioritization policy implemented in summer 2021 makes the CAISO's policies more consistent with those of other balancing areas, and also provides more overall market certainty and transparency for all participants. Extending these scheduling priorities to 2024 appears reasonable, given the significant effort involved in developing and implementing a new transmission reservation framework, and to provide some regulatory certainty over the next couple of years.

Although the scheduling priorities established in summer 2021 for high-priority wheeling through transactions are an improvement over previous scheduling priorities, these interim priorities are not ideal for the CAISO BAA or neighboring BAAs which may depend on CAISO transmission in several ways.

First, the interim wheeling through scheduling priorities still leave the CAISO BAA exposed to reliability risk beyond the risk that would exist if CAISO's process was equivalent to that of neighboring BAAs. The CAISO's current scheduling priorities for high-priority wheeling through transactions are determined without considering how much – if any – excess transmission may be available beyond that needed to meet CAISO load. This can lead to allocation of transmission to high-priority wheeling transactions where there is potentially no excess transmission to allocate beyond that needed to meet CAISO load under tight supply conditions. DMM's understanding is that other balancing areas in the West will provide wheeling transactions firm rights only to transmission that has been determined to be in

excess of what may be needed to meet the balancing area's native load and other existing firm uses.

Second, extending the interim wheeling through scheduling priorities leaves load serving entities in neighboring BAAs without a longer term process through which they can procure with certainty an amount of firm transmission to wheel through CAISO's system. The interim rules do provide a shorter term process for entities in neighboring BAAs to procure with an amount of firm transmission to wheel through CAISO's system on a month by month basis. However, as illustrated by comments in this stakeholder process, these interim rules are not satisfactory for entities in neighboring BAAs as well as within the CAISO system.

DMM supports extension of the interim wheeling through scheduling priorities as an incremental improvement. However, for the reasons noted above, DMM has urged the CAISO to place high priority on developing a long-term wheeling and transmission scheduling process that better aligns with the practices of other BAAs in the West.

Proposed changes for variable energy resources supporting high-priority exports will significantly limit the extent to which potentially inaccurate forecasts can support real-time high-priority export schedules.

CAISO proposes tariff changes to clarify the requirements for high-priority exports supported by variable energy resources (VERs). With the proposed changes, if the forecasted output of a VER supporting a high-priority export changes prior to the real-time market such that the VER can no longer support the initial export schedule quantity, the scheduling coordinator must update the high-priority export schedule to an amount the VER can support based on the most recent forecast. This change addresses a shortcoming in existing tariff language that allows an outdated and potentially inaccurate VER forecast to support real-time high-priority export schedules. Under current rules, a real-time high-priority export self-

schedule, submitted hours or a day in advance, can be supported by an earlier VER forecast available when the export schedule was submitted.⁴ CAISO's proposed changes limit real-time high-priority exports supported by VERs to the quantity of the most recent real-time VER output forecast available before real-time bids must be finalized.

Although some forecast error will persist between the time real-time bids are submitted and the real-time operating interval, the last available VER forecast before real-time bids must be finalized should be a much closer representation of the actual VER output capability in real-time than a VER forecast that is hours or a day old. During emergency conditions, the proposed enhancement will reduce the risk that the CAISO BAA may support significant quantities of high-priority export schedules with CAISO RA capacity when the supporting VER resources are only able to produce quantities significantly less than their accepted real-time high-priority export schedules.

DMM supports the current proposed tariff revisions. However, additional future revisions to either CAISO's or other balancing areas' tariffs regarding the right to curtail high-priority exports when the designated supporting resource is physically unavailable may better align CAISO tariff authority with that of other BAAs in the West.

In the Transmittal Letter, the CAISO notes DMM's earlier recommendation that CAISO reserve the right in its tariff to curtail high-priority non-recallable export schedules during the most extreme system conditions when the generating resource supporting the export cannot generate at a level that would support the export, and the only other alternative is for the CAISO to curtail CAISO load.⁵ The CAISO then states that this proposal goes well beyond the scope of the tariff changes the CAISO proposes in the tariff amendment filing and constitutes a completely new and different approach.⁶ DMM believes coordination and

⁴ Consistent with current tariff rules, for a given hour, the high-priority export schedule is limited to the lowest of the 15-minute VER forecasts within the hour.

⁵ Transmittal Letter, p. 29-30

⁶ Ibid, p. 30

reliability during system emergencies would benefit from balancing areas in the West having clear reciprocal tariff authority and processes for treating exports backed by physically unavailable resources. Therefore, DMM continues to recommend that CAISO work with other balancing areas in the West to consider tariff revisions in the future that may better align CAISO's tariff authority with that of other BAAs.

The CAISO tariff does not currently, or in the proposed revisions, reserve the right for the CAISO to curtail high-priority exports before CAISO BAA load under emergency conditions when the generating resource supporting the export is unavailable. This omission appears to be a departure from the tariff authority of other Transmission Providers in the West, and may expose the CAISO BAA to a degree of reliability risk not faced by other BAAs.

Unlike the CAISO's tariff, the OATTs of other BAAs appear to explicitly contemplate situations where it may be physically infeasible to provide generator imbalance service necessary to support an export when the generator supplying the export becomes unavailable. The OATTs of some other BAAs appear to further contemplate situations where operating reserves are being used as "backup" or "standby" power to support an export. In such cases, these OATTs appear to relieve the Transmission Provider of the obligation to continue providing those services to support an export associated with a generator that is physically unavailable.

The current pro forma OATT defines generator imbalance service as covering the difference between the output of a generator located in the Transmission Provider's Control Area and a delivery schedule from that generator to (1) another Control Area or (2) a load within the Transmission Provider's Control Area over a single hour.⁷ The pro forma OATT

⁷ See Pro Forma OATT (currently effective), Schedule 9 - Generator Imbalance Service: <https://www.ferc.gov/sites/default/files/2020-05/pro-forma-OATT.pdf>

further states that the Transmission Provider must offer this service, to the extent it is physically feasible to do so from its resources or from resources available to it, when Transmission Service is used to deliver energy from a generator located within its Control Area.⁸ Similar language is found in the OATTs of other BAAs reviewed by DMM.⁹

The language referenced in these OATTs contemplating the physical capability to provide generator imbalance service originates from FERC Order 890-A. In Order 890-A, the Commission states:

*We further clarify that a transmission provider only has to provide generator imbalance service from its own resources to the extent that it is physically feasible to do so (i.e., the transmission provider is able to manage the additional potential imbalances without compromising reliability). It is not the Commission's intent to require transmission providers to provide generator imbalance service from its resources when it would unreasonably impair reliability.*¹⁰

The Commission further clarifies that a Transmission Provider is not relieved of its obligation to provide generator imbalance service if it is able to procure additional resources, but may only be required to provide alternative scheduling accommodation, rather than compromising its own reliability, if no such resources are available:

If it is not physically feasible for the transmission provider to offer generator imbalance service using its own resources, either because they do not exist or they are fully subscribed, the transmission provider must attempt to procure alternatives to provide the service, taking appropriate steps to offer an option that customers can use to satisfy

⁸ Ibid (Emphasis added).

⁹ See, for example: Idaho Power Company Open Access Transmission Tariff, Arizona Public Service Company Pro Forma Open Access Transmission Tariff, Salt River Project Agricultural Improvement, and Power District Open Access Transmission Tariff

¹⁰ Order 890-A, at 289

*their obligation to acquire generator imbalance service as a condition of taking transmission service. In the unlikely circumstance that there are no additional resources available to enable the transmission provider to meet its obligation for generator imbalance service, the transmission provider must accept the use of dynamic scheduling to the extent a transmission customer has negotiated appropriate arrangements with a neighboring control area.*¹¹

The language above appears to relieve the Transmission Provider from the obligation to provide generator imbalance service to an exporter when not physically feasible to do so – for example, in an emergency when there is no additional available capacity to provide imbalance service and the only alternative is to shed load. However, the CAISO tariff does not appear to similarly contemplate the physical feasibility of continuing to support a high-priority export when the supporting generator is unavailable.

Additionally, while spinning and non-spinning reserves may be used to temporarily support unplanned outages of resources supplying exports in some BAAs, not all OATTs of other BAAs require that the Transmission Provider offer these reserves to exporters.¹² Among OATTs that do, some reviewed by DMM explicitly state that these reserves are not intended to serve as a backup or standby source of power to the Transmission Customer in the event of a discontinuance of service from the Transmission Customer’s power supplier(s). The

¹¹ Ibid, at 290

¹²The Commission stated in Order 890-A at 505: “We disagree ... that the transmission provider should be obligated to offer and make available operating reserves under Schedules 5 and 6 of the pro forma OATT when transmission service is used to serve load outside the transmission provider’s control area. Operating reserves are needed to serve load within the control area in the event of system contingencies. Unless alternative arrangements are made, the transmission provider provides these reserves from its own resources. It would be inappropriate to require the transmission provider to use its resources to provide additional operating reserves to loads in other control areas because the transmission providers in those control areas are under their own obligation to make operating reserves available.”

language in these OATTs further states that if there is a discontinuance of service by such power supplier(s), the Transmission Customer's load (including Operating Reserves) may be curtailed unless alternate arrangements for standby service have been arranged in advance.¹³ The CAISO tariff does not appear to contain similar provisions making high-priority exports subject to curtailment when the generator supporting the export is unavailable, and grid conditions are such that operating reserves are deployed to meet demand.

DMM highlights these differences between the tariff authority of other BAAs and the CAISO to note that such differences may leave the CAISO BAA exposed to additional reliability risk not faced by other BAAs in the West. DMM is not requesting the CAISO be required to change the current proposed tariff revisions.

DMM supports the CAISO's current proposed tariff revisions. However, it is DMM's view that coordination and reliability during system emergencies would benefit from balancing areas in the West having clear, reciprocal tariff authority and processes for treating exports backed by physically unavailable resources. As such, we continue to recommend that the CAISO work with other balancing areas in the West to consider tariff revisions in the future that may better align the CAISO's tariff authority with that of other BAAs. These enhancements would not serve as the basis of standard practice under normal system conditions. However, adjustments to the CAISO's or other balancing areas' tariffs would help ensure that the "certainty and dependability the CAISO intends to provide to high-priority, non-recallable exports" is a clear, reciprocal standard amongst balancing areas in the West during system emergencies.¹⁴

¹³Salt River Project Agricultural Improvement and Power District - Open Access Transmission Tariff, Schedule 5 & 6:
http://www.oasis.oati.com/woa/docs/SRP/SRPdocs/SRP_OATT_Effective_Feb_1,_2020.pdf; Arizona Public Service Company - Pro Forma Open Access Transmission Tariff, Schedule 5 & 6:
http://www.oasis.oati.com/woa/docs/AZPS/AZPSdocs/APS_OATT_Volume_2_20220120.pdf

¹⁴ Transmittal Letter, p. 30.

IV. CONCLUSION

DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

Respectfully submitted,

By: /s/ Adam Swadley

Eric Hildebrandt, Ph.D.
Executive Director, Market Monitoring

Ryan Kurlinski
Manager, Market Monitoring

Adam Swadley
Senior Advisor, Market Monitoring

California Independent System Operator
Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: 916-608-7123
ehildebrandt@caiso.com

Independent Market Monitor for the
California Independent System Operator

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, 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 17th day of February, 2022.

/s/ Jennifer Shirk
Jennifer Shirk