

155 FERC ¶ 61,311  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

June 27, 2016

In Reply Refer To:  
California Independent System  
Operator Corporation  
Docket No. ER16-1541-000

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

Attention: Mr. John C. Anders, Esq.

Reference: Energy Imbalance Market Implementation Agreement

Dear Mr. Anders:

1. On April 29, 2016, the California Independent System Operator Corporation (CAISO) filed an Energy Imbalance Market (EIM) Implementation Agreement (Implementation Agreement) with Idaho Power Company (Idaho Power) (together with CAISO, the Parties) setting forth the terms under which CAISO will extend its real-time energy market systems to provide imbalance energy service to Idaho Power pursuant to CAISO's EIM tariff provisions. Under the Implementation Agreement, Idaho Power will compensate CAISO for its share of the costs of related system changes, software licenses, and other configuration activities. As discussed below, we accept the Implementation Agreement for filing, effective July 1, 2016, as requested.

2. CAISO states that the Implementation Agreement establishes the contractual terms, including the scope of work and the agreed-upon fee, under which CAISO will take the steps necessary to incorporate Idaho Power into the EIM by April 1, 2018. CAISO explains that this date allows for completion of all necessary activities based on

the size, complexity, and compatibility of Idaho Power, including filing a certification of readiness with the Commission.<sup>1</sup>

3. The Implementation Agreement specifies that Idaho Power will pay CAISO a fixed implementation fee of \$540,000, subject to completion of certain milestones. Specifically, Idaho Power will make six \$90,000 payments (for a total of \$540,000) for the recovery of the portion of the costs attributable to CAISO's configuration of its real-time energy market to incorporate Idaho Power into the EIM. Each payment will be made after the completion of each milestone. The agreed-upon milestones are: (1) developing a detailed project management plan in June 2016, and making the Implementation Agreement effective by July 2016; (2) expansion of CAISO's full network model to include Idaho Power, and modeling Idaho Power into the full network model into a non-production test environment by August 2017; (3) system implementation and connectivity testing, and promotion of the market network model including the Idaho Power area to a non-production system and allowing Idaho Power to connect and exchange data by September 2017 in advance of a market simulation; (4) construction, testing and training in preparation for a market simulation by October 2017, including "Day in the Life" scenario testing in October 2017 and a structured market simulation in November 2017; (5) beginning February 1, 2018, activation of a parallel operation environment to confirm compliance with the EIM readiness criteria set forth in the CAISO tariff; and (6) system deployment and "go live" by April 1, 2018.<sup>2</sup>

4. CAISO explains that the fee is based on Idaho Power's portion of the estimated \$19.65 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).<sup>3</sup> According to CAISO, the implementation fee is just and reasonable because it allocates a portion of the overall cost to Idaho Power in an amount proportionate to Idaho Power'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

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<sup>1</sup> CAISO Filing at 2.

<sup>2</sup> *Id.*, Attachment A (Implementation Agreement), §§ 4(a), (c) & Exhibit A.

<sup>3</sup> CAISO states that it derived a rate that would allocate the projected \$19.65 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 Idaho Power's share of the WECC load to obtain the implementation fee amount. *Id.* at 3.

incur to configure its real-time energy market to function as an EIM that serves both CAISO and Idaho Power.<sup>4</sup>

5. The Implementation Agreement states that CAISO will provide prompt notice to Idaho Power 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 Parties if the Parties agree to a change in the project scope, schedule, or implementation date, and the Parties agree that an adjustment of the fee is warranted in light of such change.<sup>5</sup>

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.<sup>6</sup> The Parties also acknowledge that CAISO is required to file a notice of termination with the Commission.<sup>7</sup> Similarly, Idaho Power may provide a notice to terminate the agreement and CAISO must discontinue work on the project and will not invoice Idaho Power for any subsequent milestone payments. In such circumstances, after 30 days' good faith negotiations, CAISO will invoice Idaho Power for any milestones completed but not already invoiced.<sup>8</sup>

7. The Implementation Agreement provides the opportunity for the Parties to work with third parties to facilitate the project.<sup>9</sup> 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.<sup>10</sup>

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<sup>4</sup> *Id.* at 3-4 & Attachment B, Declaration of April D. Gordon.

<sup>5</sup> Implementation Agreement, § 4(b).

<sup>6</sup> *Id.* § 2(a), (b).

<sup>7</sup> *Id.* § 2(g).

<sup>8</sup> *Id.* § 2.

<sup>9</sup> *Id.* § 12.

<sup>10</sup> *Id.* § 13.

8. Moreover, CAISO notes that the Implementation Agreement is modeled after the implementation agreements between CAISO-PacifiCorp, CAISO-NV Energy, Inc., CAISO-Puget Sound Energy, Inc., CAISO-Arizona Public Service Company, and CAISO-Portland General Electric Company that were previously accepted by the Commission.<sup>11</sup> CAISO states that the incorporation of Idaho Power into the EIM will be subject to the CAISO tariff readiness requirements and filing of a certificate of readiness with the Commission.<sup>12</sup> Finally, CAISO anticipates that Idaho Power will initiate a process to modify its open access transmission tariff during the implementation process.<sup>13</sup>

9. Finally, CAISO requests that the Implementation Agreement be made effective on July 1, 2016.

10. Notice of CAISO's filing was published in the *Federal Register*, 81 Fed. Reg. 28,855 (2016), with interventions and protests due on or before May 20, 2016. Timely motions to intervene were filed by Southern California Edison Company, Modesto Irrigation District, and Pacific Gas and Electric Company.

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

12. We find that the terms of the Implementation Agreement are just and reasonable and not unduly discriminatory or preferential. 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 Idaho Power. The Implementation Agreement also provides for Idaho Power to pay CAISO a fixed implementation fee of \$540,000, 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 Idaho Power in an amount proportionate to Idaho Power's benefits from the EIM, as measured by usage. No party has contested the reasonableness of the estimate on which the implementation

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<sup>11</sup> CAISO Filing at 2 (citing *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,298 (2013); *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,200 (2014); *Cal. Indep. Sys. Operator Corp.*, 151 FERC ¶ 61,158 (2015); *Cal. Indep. Sys. Operator Corp.*, 152 FERC ¶ 61,090 (2015); *Cal. Indep. Sys. Operator Corp.*, 154 FERC ¶ 61,020 (2016)).

<sup>12</sup> *Id.* at 4-5.

<sup>13</sup> *Id.* at 5.

fee is based. Moreover, 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.<sup>14</sup> Accordingly, we accept the Implementation Agreement for filing, effective July 1, 2016, as requested.

By direction of the Commission.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>14</sup> See n.11, *supra*.