

111 FERC ¶ 61,015
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 8, 2005

In Reply Refer To:
California Independent System Operator
Corporation
Docket Nos. ER05-224-000 and ER05-224-001

California Independent System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Attention: Geeta O. Tholan
Regulatory Counsel

Reference: Original Service Agreement No. 580 under First Revised Tariff, Volume 1

Dear Ms. Tholan:

1. On November 16, 2004, the California Independent System Operator Corporation (CAISO) filed a Dynamic Scheduling Agreement for Scheduling Coordinators between the CAISO and Mirant Americas Energy Marketing, LP (Mirant) as a non-conforming agreement (Mirant DS Agreement) (November 16 Filing). The CAISO sought waiver of the Commission's prior notice requirement under section 35.11 of the Commission's regulations.

2. Waiver is granted to allow the agreement to go into effect on November 17, 2004, as requested. In addition, to prevent undue discrimination, the Commission will require the CAISO prospectively to waive in all dynamic scheduling agreements its requirement for e-tagging intra-hourly changes to dynamic schedules of a certain magnitude. In addition, we will require the CAISO to amend its *pro forma* Dynamic Scheduling Agreement for Scheduling Coordinators (*pro forma* DSA) and Dynamic Scheduling Protocol (DSP) to eliminate this intra-hourly e-tagging requirement. This order benefits customers by modifying the *pro forma* DSA to facilitate imports of dynamically scheduled power into the CAISO.

Background

3. On June 29, 2004, the Commission issued an order accepting the CAISO's Amendment No. 59 to the CAISO Tariff, which includes the *pro forma* DSA.¹ Amendment No. 59 provides the standards that will apply to the dynamic scheduling of imports of energy and ancillary services from resources located outside of the CAISO control area.

The CAISO's Filings

4. In its November 16 Filing, the CAISO asserts that the Mirant DS Agreement substantially conforms to the provisions of the *pro forma* DSA. However it modifies the requirement in the DSP that every change of a certain magnitude in a dynamic schedule requires a conforming change in the e-tag. Specifically, section 4.1 of the Mirant DS Agreement exempts Mirant from the provisions of section DSP 6.2 that would otherwise require it to make a change in an e-tag in the event there is a change in magnitude of the dynamic schedule by 25 percent or more, or 25 MW, whichever is less, including all dynamic scheduling changes occurring within the applicable hour.² The CAISO states that sections 3.2.2, 4.1.1, 4.1.4, and 5.1 of the Mirant DS Agreement have been modified to reflect the CAISO's proposed requirement that parties must comply with the DSP instead of the CAISO's "Standards for Dynamic Imports of Energy, Supplemental Energy, and Energy Associated with Non-Regulation Ancillary Services."

5. On January 11, 2005, the Director, Division of Tariffs and Market Development – West, acting under delegated authority, issued a deficiency letter. The deficiency letter required the CAISO to provide responses to the following requests: (1) state whether this agreement would serve as a *pro forma* agreement for all other comparable dynamic scheduling agreements in the Western Electricity Coordinating Council (WECC); (2) explain how and whether permitting waiver of intra-hour e-tagging requirements would cause potential reliability problems; (3) describe the basis and duration of the waiver WECC has obtained from the North American Electric Reliability Council (NERC) dynamic scheduling e-tagging requirements; (3) state the time estimate for when the CAISO might establish a process to address the issue of dynamic scheduling of exports; and (4) provide designations as required by Order No. 614 and 18 C.F.R. § 35.9 (2004).

¹ See *California Independent System Operator Corp.*, 107 FERC ¶ 61,329 at P 24 and Ordering Paragraph (A) (2004).

² The CAISO states that this DSP provision is more stringent than the currently existing NERC or WECC e-tagging requirements. Transmittal Letter at 2 & n.2.

6. On February 10, 2005, in response to the deficiency letter, the CAISO submitted for filing the additional information requested by the Commission (February 10 Response).

Notice of Filing and Pleading

7. Notice of the CAISO's filing of the non-conforming service agreement was published in the *Federal Register*, 69 Fed. Reg. 71,028 (2004), with comments, protests, and interventions due on or before December 7, 2004. Northern California Power Agency (NCPA)³ filed a motion to intervene, stating that it has no objection to the change proposed by the parties or to dynamic scheduling in general. However, NCPA complains that the CAISO has only proposed dynamic scheduling arrangements or protocols to accommodate resources outside the CAISO control area that wish to dynamically schedule into the area to participate in the CAISO markets. NCPA asserts that entities who seek to dynamically schedule into the CAISO control area for self-scheduling purposes or who seek to dynamically schedule a resource out of the CAISO control area still do not have a tariff option. NCPA asks that the Commission require the CAISO to establish full reciprocity of dynamic scheduling in the CAISO Tariff. On December 22, 2004, the CAISO filed an answer to the NCPA's motion to intervene. The February 10 Response was noticed in the *Federal Register*, 70 Fed. Reg. 9,638 (2005), with protests and interventions due on or before March 3, 2005. None was filed.

Discussion

8. NCPA's unopposed, timely-filed motion to intervene makes it a party pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2004). Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2), prohibits answers to a protest unless otherwise ordered by the decisional authority. We are not persuaded to accept the CAISO's answer and will, therefore, reject it.

9. With respect to NCPA's request that the Commission require the CAISO to establish full reciprocity in the CAISO tariff for dynamic scheduling, this request concerns matters that are beyond the scope of this proceeding. This proceeding is limited to evaluating a service agreement that does not conform to the existing DSP or the *pro forma* DSA in the CAISO tariff currently on file with the Commission. Accordingly, we will not address NCPA's concern at this time.

³ NCPA is a public agency engaged in the generation and transmission of electric power and energy.

10. The Commission has reviewed the non-conforming aspects of the Mirant DS Agreement, and will accept the agreement, provided that, on a prospective basis, all entities that enter into dynamic scheduling agreements with the CAISO are not required to e-tag intra-hourly changes to dynamic schedules. In its February 10 Response, the CAISO explains that the North American Electric Reliability Council (NERC) requires e-tagging of all schedules prior to an operating hour. The CAISO states that, when it was developing its proposed standards for imports of non-Regulation dynamic schedules, it understood NERC Policy 3 to require e-tagging of intra-hourly changes of a certain magnitude and, consequently, incorporated that requirement into its *pro forma* DSA. The CAISO points out, however, that NERC has recently proposed Version 0 Reliability Standards that “state that e-tagging of intra-hour changes in dynamic schedules is not currently required.”⁴ The CAISO states that it does not believe that waiver of the intra-hourly e-tagging requirement will cause reliability problems, as evidenced by the omission of that requirement in NERC’s Version 0 Reliability Standards.

11. On February 8, 2004, The NERC Board of Trustees adopted the Version 0 Reliability Standards, effective April 1, 2005.⁵ The Version 0 Reliability Standards require e-tagging of all dynamic schedules at the expected average MW profile for each hour.⁶ As the CAISO correctly represents, these NERC standards do not require e-tagging of changes to dynamic schedules within the hour. Since the recently adopted NERC standards do not reflect concerns that intra-hourly changes to dynamic schedules must be e-tagged to ensure reliability, the Commission will accept the Mirant DS Agreement. However, to prevent undue discrimination among sellers of electricity and ancillary services into the CAISO under dynamic scheduling agreements, we will require the CAISO to waive prospectively its section DSP 6.2 requirement that intra-hourly changes of a certain magnitude to dynamic schedules must be e-tagged. In addition, we will require the CAISO to file amendments to its *pro forma* DSA and DSP to eliminate this intra-hourly e-tagging requirement, within 30 days of the issuance of this order. In addition, the CAISO should within the same time frame also amend its *pro forma* DSA to

⁴ February 10 Response at 2.

⁵ ftp://www.nerc.com/pub/sys/all_updl/standards/rs/INT-001-0.pdf.

⁶ See Standard INT-001-0–Interchange Transaction Tagging, R1.3.

state that all parties must comply with the DSP, rather than the “Standards for Dynamic Imports of Energy, Supplemental Energy, and Energy Associated with Non-Regulation Ancillary Services.” As the CAISO points out in its November 16 Filing, this would be consistent with Commission precedent.⁷

By direction of the Commission.

Magalie R. Salas
Secretary

⁷ Transmittal Letter at 2, n.3 (citing *CAISO*, 107 FERC ¶ 61,329 at P 21 and Ordering Paragraph (B)).