

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinohoff, Chairman;
Suedeem G. Kelly, Marc Spitzer, and
Philip D. Moeller

California Independent System)	Docket Nos. ER09-556-000
Operator Corporation)	ER08-367-003
)	ER06-615-039

ORDER ACCEPTING CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION'S TARIFF CLARIFICATIONS AMENDMENT AND
COMPLIANCE FILING, SUBJECT TO CONDITIONS

(Issued March 24, 2009)

1. In this order, the Commission responds to the MRTU Tariff Clarifications Amendment and Compliance Filing filed by the California Independent System Operator Corporation (CAISO) on January 15, 2009 (MRTU Tariff Clarifications Amendment or January 2009 Filing).¹ The Commission accepts the proposed tariff clarifications amendment (as modified herein) to be effective upon MRTU implementation, currently projected to be March 31, 2009. Additionally, the Commission accepts CAISO's tariff sheets included in its compliance filing also to be effective March 31, 2009. As will be discussed more fully *infra*, we accept the CAISO's proposed revisions to sections 34.5(10), 34.15.1(c), and 34.15.5 (regarding the use of ramp rates for dispatching resources) effective October 1, 2009.

I. Background

2. On February 9, 2006, the CAISO submitted a revised tariff to the Commission designed to reflect the Market Redesign and Technology Upgrade (MRTU) changes to its existing tariff (hereinafter referred to as the MRTU Tariff).² The February 9, 2006

¹ Cal. Indep. Sys. Operator Corp. January 15, 2009 Filing of MRTU Tariff Clarifications Amendment (Docket No. ER09-556-000) and Compliance Filing (Docket Nos. ER08-367-003 and ER06-615-039) (CAISO Filing).

² Cal. Indep. Sys. Operator Corp. February 9, 2006 California Independent System Operator's Electric Tariff Filing to Reflect Market Redesign and Technology Upgrade.

MRTU Tariff was submitted as a replacement of the currently effective tariff (the CAISO Tariff).

3. On September 21, 2006, the Commission issued an order conditionally accepting the MRTU Tariff.³ However, the existing CAISO Tariff remains in effect until MRTU implementation.

4. The CAISO originally requested a November 1, 2007 effective date for the Revised MRTU Tariff.⁴ However, the CAISO has withdrawn that request because the projected implementation date for the MRTU has been postponed notwithstanding the proposed effective date contained in the filed tariff sheets.⁵

5. On December 4, 2008, subject to the filing of compliance tariff language related to the calculation of user rates and cost allocation of Voltage Support and Black Start, the Commission issued an order generally accepting the CAISO's fourth revised version of its FERC Electric Tariff (Revised MRTU Tariff).⁶

A. The CAISO MRTU Tariff Clarifications Amendment and Compliance Filing

6. The CAISO states that the purpose of the proposed tariff clarifications is to ensure consistency between the MRTU software and the tariff; to provide additional implementation detail; to reflect minor modifications concerning how some MRTU features are being implemented; to address instances where the underlying provisions in the February 9, 2006, original MRTU Tariff filing in Docket No. ER06-615 were either not properly modified for MRTU or not modified at all; and to correct minor errors.⁷

³ *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at P 1 (2006), *order on reh'g*, 119 FERC ¶ 61,076 (2007); *see also Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,313 (2007).

⁴ *Id.* P 4.

⁵ *See Cal. Indep. Sys. Operator Corp.* January 14, 2008 Monthly Status Report Re: MRTU; *see also Cal. Indep. Sys. Operator Corp.* February 29, 2008 Motion to Modify Effective Date of Tariff Sheets; *Cal. Indep. Sys. Operator Corp.*, 122 FERC ¶ 61,284 (2008) (letter order).

⁶ *Cal. Indep. Sys. Operator Corp.*, 125 FERC ¶ 61,262 (2008) (December 4 Order); *see also id.* P 61. On January 5, 2009, the CAISO filed a request for extension of time, until January 15, 2009, to comply with Paragraph 61 of the December 4 Order. On January 7, 2009, the Commission issued a notice granting that CAISO request. The CAISO submitted its compliance filing in response to the other directives in the December 4 Order on January 5, 2009.

⁷ CAISO Filing at 1.

Having presented these tariff clarifications through the stakeholder process, the CAISO states that it believes that most of the proposed tariff clarifications are non-controversial.⁸

7. In addition, the CAISO submitted tariff language in compliance with Paragraph 61 of the Commission's December 4, 2008 Order in Docket Nos. ER08-367 and ER06-615, relating to the calculation of user rates and cost allocation for Voltage Support and Black Start that were never properly modified for MRTU.⁹

8. The CAISO states that as part of the MRTU development process, the CAISO contracted with Science Applications International Corporation (SAIC) in September 2007 to verify and document, prior to implementation of MRTU, that the various new applications that constitute MRTU were developed, built, and tested in accordance with the MRTU Tariff as filed with the Commission and conformed through November 15, 2007.¹⁰

9. The CAISO relates that SAIC identified a number of minor instances in which it believed the MRTU Tariff could be clarified or modified to track the MRTU Tariff business rules more accurately. The CAISO concurs with most, though not all, of SAIC's proposed changes to the MRTU Tariff, and these changes are included in the instant CAISO filing.¹¹

10. In addition, the CAISO states it also conducted its own review of the MRTU Tariff to determine whether any further clarifications were needed, and that, pursuant to this review, informed by testing and market simulation results, the CAISO concluded that other tariff clarifications are warranted. These changes were also included in the January 2009 Filing.¹²

11. The CAISO states that, having run these proposed changes through its stakeholder process, it has determined that the tariff clarifications proposed in the instant filing simply clarify existing policies reflected in the tariff, and thus no new Board authorization was required to make the clarifications.¹³

⁸ *Id.* at 1-2.

⁹ *Id.* at 2 (citing 125 FERC ¶ 61,262 (2008)).

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 3.

¹³ *Id.*

B. Relief Requested

12. The CAISO requests that the Commission approve the proposed MRTU Tariff changes to be effective as of March 31, 2009, the currently projected startup date for MRTU.¹⁴ For discussion purposes, we refer to March 31, 2009 as the effective date for MRTU.

13. On March 6, 2009, the CAISO filed a Motion to Modify Effective Date of Certain Proposed Tariff Revisions and for Expedited Answer Period. The CAISO, by this motion, requests that the proposed revisions to sections 34.5(10), 34.15.1(c), and 34.15.5 regarding the use of ramp rates for dispatching resources be made effective as of October 1, 2009, in lieu of the March 31, 2009 effective date proposed in the January 15 Tariff Amendment. As explained *infra*, the CAISO states this change is necessary because the MRTU software modifications being developed to implement these tariff revisions will not be ready to be included in the MRTU software as of March 31.

14. Alternatively, in the event that MRTU is implemented more than 120 days after the submittal of the January 2009 Filing, the CAISO requests waiver, pursuant to section 35.11 of the Commission's regulations (18 C.F.R. § 35.11 (2008)), of section 35.3 of the Commission's regulations (18 C.F.R. § 35.3 (2008)), in order to permit the changes to the MRTU Tariff proposed herein to become effective as of that implementation date.¹⁵ The CAISO states that granting a waiver in this instance would be consistent with similar waivers of section 35.3 the Commission has granted for other MRTU-related filings.¹⁶

II. Notices of Filing and Responsive Pleadings

15. Notice of the CAISO's MRTU Tariff Clarifications Amendment and Compliance Filing was published in the *Federal Register*, 74 Fed. Reg. 6148 (2009), with interventions and protests due on or before February 5, 2009.

16. NRG Companies; Northern California Power Agency (NCPA); the Metropolitan Water District of Southern California; the City of Santa Clara, California; the M-S-R Public Power Agency (M-S-R); the Transmission Agency of Northern California; Powerex Corp. (Powerex) and Turlock Irrigation District filed timely Interventions.

17. Late Interventions were also filed by Imperial Irrigation District and by Pacific Gas and Electric Company.

18. California Department of Water Resources State Water Project (State Water

¹⁴ *Id.* at 18.

¹⁵ *Id.*

¹⁶ *Id.*

Project) filed a timely Intervention and Limited Protest; the Modesto Irrigation District (Modesto) filed a timely Intervention, Comments and Protest; and the Sacramento Municipal Utility District (SMUD) filed a timely Intervention, Comments and Limited Protest. A late Intervention and Comments were filed by Southern California Edison Company (SoCal Edison).

19. On February 23, 2009, the CAISO filed a Motion for Leave to File One Day Out-of-Time, Answer to Motions to Intervene and Comments, Motion to File Answer, and Answer to Protests. On February 26, 2009, the CAISO filed its Motion for Leave to Supplement Answer, and Supplement to Answer. As mentioned, *supra*, on March 6, 2009, the CAISO filed a Motion to Modify Effective Date of Certain Proposed Tariff Revisions and for Expedited Answer Period.

20. On March 10, 2009, Modesto filed a Motion for Leave to Answer and Answer in opposition to Answer of the CAISO.

21. On March 13, 2009, SoCal Edison filed timely additional comments responding to the CAISO's March 6, 2009, Motion to Modify Effective Date of Certain Proposed Tariff Revisions.

III. Procedural Matters

22. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the timely unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

23. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2008), the Commission will grant the late-filed motions to intervene of SoCal Edison, Imperial Irrigation District (CA), and Pacific Gas and Electric Company, given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

24. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a) (2008), prohibits an answer to a protest or to an answer unless otherwise ordered by the decisional authority. We find that good cause exists in this proceeding to allow the CAISO's answer, its supplement to its answer, as well as Modesto's answer in opposition to the CAISO's answer, because they aided us in our understanding of the issues raised in this proceeding.

IV. Tariff Clarifications and Comments

A. Proposals That Have Not Been Commented On Or Protested By Intervenors

25. The CAISO's January 2009 Filing includes unopposed clarifications to the

following MRTU Tariff provisions: Section 30.5.4, pertaining to Wheeling Through transactions; section 64.16.3.3, pertaining to the use of defined terms relating to replacement of Operating Reserves; section 35, pertaining to the correct terminology to be used in reference to price correction and validation; the adding of new provisions in sections 31.3.1.4, 31.5.1.4, and 33.8.1 to comport with the principles in section 34.19.2.3, respecting eligibility to set the Locational Marginal Price (LMP); corrections to section 8.3.5, pertaining to the scope of Board approvals; and changes to section 7.7.11.4, regarding load shedding. The Commission accepts these unopposed tariff provisions submitted by the CAISO in the January 2009 Filing, effective March 31, 2009.

B. Proposals That Have Been Commented On Or Protested By Intervenor

1. Dispatch of Contingency Only Operating Reserves in the Real-Time Market

26. CAISO proposes changes to section 34.2 to clarify its ability to commit Contingency Only Operating Reserves through the Real-Time Unit Commitment (RTUC) process.¹⁷ CAISO states that the commitment of Contingency Only Operating Reserves in the RTUC is accomplished by turning on the Contingency Flag. CAISO further clarifies that the option to use these tools to dispatch or commit Contingency Only Operating Reserves - including the RTUC process - can only be effectuated if there is an unplanned Outage, a Contingency, or an imminent or actual System Emergency. The CAISO notes that section 34.8 already details the conditions under which the Real-Time Market can dispatch Contingency Only Operating Reserves, and CAISO proposes to include a reference to section 34.8 in section 34.3 that discusses the various forms of Real-Time dispatch to make this information easier to find in the tariff.¹⁸

27. State Water Project protests that these proposed CAISO tariff revisions to section 34.2 amount to additional new tariff provisions that go beyond clarification, granting the CAISO a new entitlement to deploy Contingency Only Operating Reserves as part of the automated RTUC process. State Water Project states that this new entitlement follows other MRTU expanded use of Contingency Only Operating Reserves that erodes the

¹⁷ The RTUC process uses a Security Constrained Unit Commitment (SCUC) algorithm that is run every fifteen minutes to (1) make commitment decisions for Fast Start and Short Start resources having start-up times within the relevant time horizon of the RTUC process and (2) procure required additional Ancillary Services and calculate Ancillary Service Marginal Price (ASMP) used for settling procured Ancillary Service capacity for the next fifteen-minute Real-Time Ancillary Service interval. *See* MRTU Tariff section 34.2, Real-Time Unit Commitment.

¹⁸ January 2009 Filing at 4-5.

longstanding purpose of the Contingency Only flag to protect Participating Load from excessive dispatch because of economic problems associated with CAISO markets.¹⁹

28. State Water Project also asserts that the revisions to section 34.2 contrast with the existing provisions of the CAISO Tariff allowing use of Contingency Only Operating Reserves only in the event of an actual Contingency.²⁰

29. Furthermore, State Water Project argues that the CAISO's reference in its transmittal letter to section 34.8 does not engender greater clarity, because that section contains incomplete sentences and indicates that economic CAISO market failures (e.g., insufficient Economic Bids) may warrant use of Contingency Only Operating Reserves. According to State Water Project, the Commission should require the CAISO to clarify that Contingency Only reserves, such as Participating Load, will be used only for a genuine physical Contingency, not for economic problems associated with CAISO market failures, and that Participating Load may opt out of expanded MRTU use of Contingency Only reserves. Assuming such an opt-out were possible, State Water Project supports restricting use of Contingency Only Participating Load to an unplanned Outage, a Contingency, or an imminent or actual System Emergency.²¹

30. The CAISO responds that the proposed tariff revisions simply clarify that the RTUC can be operated in a mode in which Contingency Only Operating Reserves can be committed. The CAISO asserts that the revisions do not create any new entitlement.²²

31. The CAISO explains that the tariff already provides that the CAISO could procure Ancillary Services from Contingency Only Operating Reserves (citing Appendix A to the CAISO Tariff, definition of Contingency Only and Contingency Flag). The CAISO also points out that section 34.2 already provided that through RTUC, the CAISO would make commitment decisions regarding Fast Start and Short Start Units, which is the only energy related action RTUC takes. The CAISO explains that the newly proposed change merely adds additional detail to clarify how the Contingency Only Operating Reserves are considered in this process. The CAISO concludes that the proposed changes do not alter the conditions under which the CAISO can dispatch Contingency Only Operating Reserves.²³

¹⁹ State Water Project February 5, 2009 Limited Protest, Comments and Motion to Intervene (State Water Project Protest) at 10.

²⁰ *Id.* at 10-11.

²¹ *Id.* at 11-13.

²² Cal. Indep. Sys. Operator Corp. February 23, 2009 Answer (CAISO Answer) at 3.

²³ *Id.* at 3-4.

32. The CAISO further states that the CAISO Tariff is already sufficiently clear that the CAISO may dispatch Contingency Only Operating Reserves only in the event of an occurrence of an unplanned Outage, a Contingency, or an imminent or actual System Emergency. The CAISO states that this statement is explicit in section 34.8; therefore, argues the CAISO, the use of the Contingency Flag in RTUC assists in the commitment of resources for dispatch under the same circumstances that they are ultimately dispatched as provided in section 34.8.²⁴

33. In its Answer, the CAISO notes that in its review of the tariff provisions to respond to State Water Project's claim, it noticed that the definition of Contingency Only Operating Reserves is missing the specification of an imminent or actual System Emergency as specified in section 34.8, and elsewhere in the tariff where the Contingency Only Operating Reserves are discussed. The CAISO proposes to correct the definition of Contingency Only Operating Reserves so that it is consistent with the remaining tariff provisions. The CAISO states that Participating Load is treated no differently from all other resources with respect to a resource that has been designated as Contingency Only. The CAISO states that it does not believe that any changes, other than aligning the definition of Contingency with the tariff authority to dispatch Contingency Only Operating Reserves, are appropriate.²⁵

Commission Determination

34. The Commission finds that the CAISO's above explanations adequately address the concerns raised by State Water Project. It has explained that the various changes respecting dispatch of Contingency Only Operating Reserves in the Real-Time Market are explanatory in nature and merely serve to clarify the terms in the MRTU Tariff and do not alter the conditions under which the CAISO can dispatch Contingency Only Operating Reserves. As such, we find the proposed tariff changes just and reasonable and accept the proposed tariff sheets effective March 31, 2009. We direct the CAISO to make the conforming changes it proposes to correct the definition of Contingency Only Operating Reserves so that it is consistent with the remaining tariff provisions in a compliance filing within 30 days of the issuance of this order.

2. Dispatch of Ancillary Services

35. In order to remove anachronistic language in sections 34.16.3.1 and 34.16.3.2 concerning the dispatch of Ancillary Services, and after noting stakeholder concerns with SAIC's proposed use of the term "optimally," the CAISO has deleted the anachronistic references, including the reference to "merit order," but has declined to add the term "optimally," thus leaving the tariff language to state that resources will be dispatched in

²⁴ *Id.* at 4-5.

²⁵ *Id.*

accordance with the relevant MRTU software.

36. Powerex states that the proposed modifications to section 34.16.3.1 do not provide the necessary clarity to ensure the MRTU software will comply with industry requirements for dispatch priorities. Powerex asserts that the CAISO should further modify section 34.16.3.1 to state that it will dispatch Ancillary Services in accordance with applicable North American Electric Reliability Corporation (NERC) and Western Electricity Coordinating Council (WECC) reliability requirements.²⁶

37. The CAISO responds that the tariff already requires that CAISO's dispatch of Ancillary Services shall be consistent with NERC and WECC reliability requirements. The CAISO notes that section 8.1 states that the CAISO "shall be responsible for ensuring that there are sufficient Ancillary Services available to maintain the reliability of the CAISO Controlled Grid consistent with NERC and WECC reliability standards."²⁷

Commission Determination

38. The Commission finds that the tariff modifications as proposed by the CAISO are sufficiently clear and that the CAISO's explanations adequately address the concerns raised by Powerex. In its answer, the CAISO explained that section 8.1 of the tariff required the CAISO maintain reliability consistent with NERC and WECC reliability standards. As such, we find the proposed tariff changes just and reasonable and find no need to add the duplicative language Powerex requests. Accordingly, we accept these proposed tariff sheets effective March 31, 2009.

3. Exceptional Dispatch Tariff Provisions

39. Based on SAIC's recommendation, the CAISO proposes to add specific clarifying language to section 34.9.2, which concerns the CAISO's Exceptional Dispatch tariff authority, to state that the CAISO has authority to "reverse the operating mode of a Pumped-Storage Hydro Unit." Also, the CAISO has added tariff language to sections 34.9, 34.9.1, 34.9.2, and 34.9.3 to clarify the CAISO's authority to use Exceptional Dispatch to commit resources outside of the Real-Time Market time frame.²⁸ In a related matter, through the tariff stakeholder process, the CAISO observed that section 11.5.6.1 was missing a description of how decremental Instructed Imbalance Energy should be

²⁶ Powerex Corp. February 5, 2009 Motion to Intervene and Comments (Powerex Comments) at 4-5.

²⁷ CAISO Answer at 6.

²⁸ The CAISO notes that these clarifications are consistent the Commission's June 25, 2007 Order in the MRTU proceeding, *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,313, at P 444 (2007).

compensated in response to an Exceptional Dispatch. The CAISO states that this is the same price specified in sections 11.5.6.2 and 11.5.6.2.4 and was simply inadvertently missing from section 11.5.6.1.²⁹

40. State Water Project protests that the CAISO's proposal is an expansion of the Exceptional Dispatch provision that adds new dispatch authority in MRTU Tariff section 34.9.2 to reverse the operating mode of a Pumped Storage Hydro Unit. State Water Project states that its pump storage facilities are integral to its water management operations, including the movement of water through its system. State Water Project states that all of its pump storage facilities are part of its water delivery and water management system, and must, as a first priority, function as such. State Water Project explains that pump storage facilities that are integrated into the California Aqueduct cannot simply reverse operation without presenting safety problems of potential overtopping or dewatering of the Aqueduct.³⁰ State Water Project points out that the United States Court of Appeals has recognized, in the context of CAISO treatment of State Water Project's generation, that State Water Project's primary mission of water management distinguishes it from rules applicable to power producers with no function other than selling energy to the grid.³¹

41. Moreover, State Water Project argues that its pump storage units are subject to the Participating Load Agreement between the CAISO and State Water Project and should, because of their critical importance to State Water Project water operations, be subject to the same Order No. 719 considerations of protecting the primary purpose of a demand-based resource. State Water Project states that simply reversing its pump storage units between pump and generation mode to meet grid needs, without regard to water management consequences, is neither a clarification nor an acceptable outcome of MRTU reforms.³²

42. State Water Project asserts that because of the potential to disrupt water management and damage its facilities, the tariff should be modified to allow Exceptional

²⁹ January 2009 Filing at 6. The CAISO also states that this tariff clarification has no bearing on the pending proceeding in Docket No. ER08-1178 concerning Exceptional Dispatch bid mitigation and eligibility for supplemental compensation in that there is no bid mitigation proposed for decremental Bids and no eligibility for Supplemental Revenues. *Id.*

³⁰ State Water Project Protest at 2.

³¹ *Id.* at 2-3 (citing *Cal. Dep't of Water Resources v. FERC*, 341 F.3d 906 (9th Cir. 2003), *reh'g en banc denied*, 361 F.3d 517 (9th Cir. 2004)).

³² *Id.* at 3 (citing *Wholesale Competition in Regions with Organized Electric Markets*, Order No 719, FERC Stats. & Regs. ¶ 31,281 (2008)).

Dispatch to reverse pump storage operating mode only upon the consent of the pump storage facility's operator, and the operator should be permitted to decline the Exceptional Dispatch.³³

43. In its Answer, CAISO urges the Commission to accept the CAISO's proposed changes and to reject State Water Project's proposal. The CAISO states that the currently effective language in section 34.9.2 authorizes the CAISO to issue Exceptional Dispatch instructions to "resources" generally, without making exceptions for any particular type of resource. The CAISO asserts the modification to section 34.9.2 is a mere tariff clarification insofar as the CAISO is already authorized to issue binding Exceptional Dispatch instructions to all types of resources, including Participating Load (which includes Pumped Storage Hydro Units).³⁴

44. The CAISO also argues that State Water Project's argument that the CAISO should not be not authorized to issue binding Exceptional Dispatch instructions to Pumped Storage Hydro Units goes beyond the scope of the instant proceedings. The CAISO states that State Water Project's comments, in this and other dockets, would suggest that State Water Project desires to be treated as Participating Load (that is, as a Generating Unit, only when it has submitted a Bid to curtail demand) and otherwise to be treated as non-Participating Load (regular CAISO demand). The CAISO counters that this is not the premise of the currently effective CAISO Tariff or the future MRTU Tariff, and would involve modifications to the tariff and Participating Load Agreement beyond the scope of the tariff clarifications presented in this docket.³⁵

45. The CAISO notes that it is engaged in discussions with State Water Project to resolve issues relating to the role of Participating Load under MRTU and the CAISO commits to pursuing these discussions diligently in an effort to resolve, as soon as possible, State Water Project's concerns about the CAISO's exercise of its Exceptional Dispatch authority, though not necessarily prior to MRTU as these issues require further stakeholder processes and tariff changes.³⁶

46. Finally, the CAISO explains that even with the proposed MRTU Tariff clarification, State Water Project is not obligated to comply with an Exceptional Dispatch should compliance with such dispatch cause it to violate any legal requirements related to water management.³⁷ The CAISO also states that it appreciates the State Water Project's

³³ *Id.* at 4.

³⁴ CAISO Answer at 6.

³⁵ *Id.* at 6-7.

³⁶ *Id.*

³⁷ *Id.* at 7-8 (citing section 22.13).

concerns respecting its obligation to serve the needs of its water contractors, which may or may not fall within the scope of section 22.13. The CAISO gives assurance that it respects these obligations and will endeavor to avoid utilizing Exceptional Dispatch of Participating Load when Participating Load has not submitted Bids unless necessary for reliability needs.³⁸

47. In its Supplement to its Answer, the CAISO reiterates that it intends to abide by the longstanding procedure applicable to State Water Project, given its primary water management responsibility, not to instruct State Water Project to curtail or increase its usage of its resources involuntarily. The CAISO states that Operating Procedure E-508B reflects this practice and requires operators to contact State Water Project to ascertain whether State Water Project is able and willing to increase or decrease consumption prior issuing a dispatch instruction. The CAISO states that it intends to continue this practice under MRTU.³⁹

48. The CAISO states that it is in the process of considering revisions to its MRTU Exceptional Dispatch Operating Procedure, M-402, and will revise this procedure to be consistent with E-508B so as to require CAISO operators to contact State Water Project prior to issuing an Exceptional Dispatch to it. The CAISO states that this longstanding practice is recognized by the Commission as consistent with the existing CAISO Tariff.⁴⁰ The CAISO refers to the Commission's recent order in the Exceptional Dispatch proceeding, where the CAISO states the Commission acknowledged that the CAISO would not direct State Water Project to increase consumption involuntarily or adjust or interrupt its loads except on a voluntary basis.⁴¹

Commission Determination

49. The Commission finds that the CAISO's explanations and assurances adequately address the concerns raised by State Water Project. It has explained that the various changes respecting dispatch of Exceptional Dispatch do not expand, but merely clarify the CAISO's authority. We therefore find the proposed tariff changes just and reasonable and will accept the proposed tariff sheets effective March 31, 2009.

50. Our acceptance notwithstanding, we encourage the CAISO to continue its discussions with State Water Project on this issue and we expect the CAISO to continue

³⁸ *Id.* at 7-8.

³⁹ Cal. Indep. Sys. Operator Corp. February 26, 2009 Supplement to Answer (CAISO Supplement to Answer) at 2.

⁴⁰ *Id.* at 2-3.

⁴¹ *Id.* at 3 (citing *Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,150 at P 241 (2009)).

to abide by the longstanding procedure applicable to State Water Project not to instruct State Water Project to curtail or increase its usage of its resources involuntarily. We also direct the CAISO to continue its review of its MRTU Exceptional Dispatch Operating Procedure, M-402, with the goal to revise this procedure to be consistent with E-508B so as to require CAISO operators to contact State Water Project prior to issuing an Exceptional Dispatch to it.

4. Bidding Rules

51. Responding to SAIC recommendations that would clarify how Bids in Scheduling Infrastructure Business Rules (SIBR) would be treated in two circumstances, the CAISO proposed that section 30.7.6.1 be modified to make clear that a Regulation Up Bid will be erased whenever the resource's Self-Schedule amount is greater than the Regulation Limit for Regulation Up. Second, the CAISO proposes to modify section 30.5.2.6.1 to reflect similar principles applicable to Regulation Down Bids. Specifically, the CAISO proposes adding tariff language to clarify that a Regulation Down Bid will be erased unless there is an Energy Bid or Self-Schedule Bid that would allow the resources to operate at a level that would permit the resource to provide the Regulation Down service.⁴²

52. SoCal Edison notes that section 30.5.2.6 states that “[n]o System Resource, including Dynamic Resource-Specific System Resources and Non-Dynamic Resource-Specific System Resources, can be used for self-provision of Ancillary Services.” SoCal Edison asserts that the quoted tariff language directly violates section 8.1, which states that “[t]he CAISO will not accept Submissions to Self-Provide Ancillary Services that are imports to the CAISO Balancing Authority over the Interties with interconnected Balancing Authority Areas, except from Dynamic System Resources certified to provide Ancillary Services or if provided pursuant to ETCs [Existing Transmission Contracts], TORs [Transmission Ownership Rights] or Converted Rights.” SoCal Edison further notes that section 30.5.6.2 states that “Scheduling Coordinators must comply with the Ancillary Services requirements of Section 8.” SoCal Edison asks the Commission to require the CAISO either to clarify that the reference to section 8 overrides the stated restriction in section 30.5.6.2 against Dynamic System Resources providing Ancillary Services, or to modify language in section 30.5.2.6 providing a specific exception for dynamic system resources.⁴³

53. In its Answer, the CAISO agrees that section 30.5.2.6 should be clarified to be consistent with section 8.1 and section 8 generally, which recognizes that Dynamic

⁴² January 2009 Filing at 7.

⁴³ Southern California Edison Company February 6, 2009 Motion to Intervene Out of Time and Comments (SoCal Edison Comments) at 4.

System Resources can self-provide Ancillary Services.⁴⁴

54. SoCal Edison also argues that the CAISO should clarify the statement in section 30.5.2.6 that “[s]ubmissions to Self-Provide an Ancillary Service submitted in the Day-Ahead Market must be accompanied by a Self-Schedule,” because, by definition, the quoted statement is not true for Non-Spinning Reserve.⁴⁵

55. The CAISO responds that it did not propose to modify the statement in its tariff amendment. However, for purposes of providing clarification, the CAISO proposes to revise section 30.5.2.6 to make the following clear: (1) A Scheduling Coordinator proposing to self-provide an Ancillary Service must have a Self-Schedule – not necessarily from the resource providing the Ancillary Service – in order to self-provide an Ancillary Service. In other words, the self-provision of an Ancillary Service must be with respect to a particular Self-Schedule; (2) If the Scheduling Coordinator is self-providing Spinning Reserve, then it must have submitted a Self-Schedule for that resource; and (3) SoCal Edison is correct – at least for Fast Start Units – that a Self-Schedule for that resource is not required; if the resource is not a Fast Start Unit then it would have to be self-scheduled.⁴⁶

56. SoCal Edison asserts that section 30.5.2.6 defines Maximum Operating Limit (MOLmax) or Minimum Operating Limit (MOLmin) as required Ancillary Service bid components, but the CAISO’s SIBR software does not allow these items to be included within bids. Similarly, SoCal Edison asserts that section 30.5.2.6.1 defines the Scheduling Point, interchange ID, Balancing Authority ID, and NERC tag number as requiring Ancillary Service bid components for Dynamic System Resources, but the SIBR software does not allow these requirements to be included within bids. SoCal Edison requests that the stated requirements be deleted from sections 30.5.2.6 and 30.5.2.6.1.⁴⁷

57. In its Answer, the CAISO explains that it did not propose revisions to the requirements in its tariff amendment but nevertheless, on compliance, agrees to delete the requirement because SoCal Edison correctly notes that the SIBR software does not permit or require these items to be included within Bids. The CAISO states that rather than Bid parameters, these parameters are reflected in the Master File and SIBR validates Bids submitted against the Master File information. The CAISO states that these clarifications are consistent with the purpose of other tariff clarifications proposed in this proceeding

⁴⁴ CAISO Answer at 9.

⁴⁵ SoCal Edison Comments at 4-5.

⁴⁶ CAISO Answer at 9.

⁴⁷ SoCal Edison Comments at 5.

and should be made to align tariff and software requirements.⁴⁸

58. SoCal Edison also notes that the CAISO proposes to add to section 30.5.2.6.1, a provision stating that “[a] Regulation Down bid will be erased unless there is an Energy Bid or Self-Schedule at a level that would permit the resource to provide Regulation Down to its lower regulation limit.” SoCal Edison requests that the CAISO provide an exemption from the quoted provision for Use-Limited Resources or clarify that all resources do not have an implied obligation to bid Regulation Down to their lower regulation limits.⁴⁹

59. In its Answer, the CAISO offers to further modify the section on compliance to state that the resource’s Energy Bid or Self-Schedule must allow for the resource to provide Regulation Down service consistent with the capacity offered in the resource’s Regulation Down Bid which may or may not reflect the resource’s certified Regulation Down capacity.⁵⁰

60. SoCal Edison also states that sections 30.7.3.1, 30.7.6.1, and 40.6.8 describe bid validation and actions the CAISO will take under certain scenarios, but do not mention how Use-Limited Resources will be treated. SoCal Edison states that its understanding is that the CAISO will not insert or extend energy or Ancillary Service bids on Use-Limited Resources. SoCal Edison suggests that the CAISO should be required to reference sections 40.6.4.3.1 (Non-Hydro and Dispatchable Use-Limited Resources) and 40.6.4.3.2 (Hydro and Non-Dispatchable Use-Limited Resources) each time that CAISO modifications to bids are discussed.⁵¹

61. In its Answer, the CAISO proposes on compliance to modify the tariff to state that the bidding rules under these sections are applicable only to Resource Adequacy Resources that are not Use-Limited Resource Adequacy Resources.⁵²

Commission Determination

62. The Commission finds that the changes the CAISO proposes to make on compliance with respect to the Bidding Rules will add clarity to the tariff. As such, we find the proposed changes just and reasonable and the proposed tariff sheets are accepted effective March 31, 2009. Moreover, we direct the CAISO to make the additional changes it proposes above to address the issues raised by SoCal Edison in a compliance

⁴⁸ CAISO Answer at 10.

⁴⁹ SoCal Edison Comments at 5.

⁵⁰ CAISO Answer at 10-11.

⁵¹ SoCal Edison Comments at 5.

⁵² CAISO Answer at 11.

filing within 30 days of the issuance of this order.

5. Accounting for Flow in the Real-Time Market

63. The CAISO is proposing to revise section 34 in order to recognize that updates to the Full Network Model used in the Real-Time Market optimization include current estimates of Real-Time unscheduled flow at the Interties. The CAISO states the MRTU Tariff already provides that the CAISO accounts for unscheduled flow in the Hour-Ahead Scheduling Process (HASP) (citing section 33.2). The CAISO states that, in SAIC's audit of the MRTU Tariff and implementation documentation, SAIC noted that the tariff did not describe compensating injections (loop flow or unscheduled flow) with respect to the Real-Time Market as it does with respect to the HASP in section 33.2. The CAISO here supplements the tariff with the same specification in the Real-Time Market.⁵³

64. The CAISO states that "compensating injections" refer to the process in the HASP and Real-Time Market software to account for loop flow impacts from external sources and sinks on the CAISO grid. The CAISO explains that the Real-Time pre-dispatch process uses the Energy Management System (EMS) telemetry/State Estimator solution for flows across the CAISO boundary and determines the total injections at the Scheduling Points and other external points that produce flows at the boundary so that they match the State Estimator solution. "Compensating injection" refers to the amounts calculated and accounted for as described above as the difference between the injections and the market schedules at the Scheduling Points so that flows produced by the sum of the market schedules and the compensating injections at each point match the flows observed at the boundaries. The CAISO states that this method of accounting for unscheduled flow is documented in the Business Practice Manuals (BPMs). For example, the CAISO refers to section 3.1.9 of the BPM for Market Operations, where it explains that it performs loop flow (compensating injection) calculations to supplement market scheduling data, in order to match the actual Real-Time metered power flows that are observed at the CAISO boundary. It also explains that in Real-Time the CAISO combines the EMS telemetry/State Estimator results with market schedules to determine Real-Time loop flows. The CAISO then explains that the EMS/State Estimator telemetry reports the actual Real-Time flow on the interties and the market applications recognize the difference between the scheduled flow and actual Real-Time flow as being unscheduled flow (i.e., loop flow), which is the basis of the calculated compensating injection. Similar explanations regarding this methodology in Real-Time are also found in the BPM for the Full Network Model.⁵⁴

65. Responding to concerns raised in the stakeholder process, the CAISO states that it

⁵³ January 2009 Filing at 8.

⁵⁴ *Id.* at 8-9 (citing BPM for Full Network Model, section 4.2.4.3).

already has appropriate detail in section 33.2 regarding the fact that in the HASP it will account for the impact on its system of unscheduled flow. The CAISO believes that this statement provides notice and gives a clear and definitive statement that unscheduled flow will be accounted flow.⁵⁵

66. Modesto argues that, although the CAISO states that section 33.2 already accounts for unscheduled flow in the HASP, it is unclear on whether estimates of unscheduled flow at the interties will be made in the Day-Ahead Market. Modesto requests clarification on this issue.⁵⁶

67. The CAISO argues that to the extent that Modesto is suggesting that the Commission should require the CAISO to account for unscheduled flow in the Day-Ahead Market as it will do in the HASP and the Real-Time Market, Modesto's suggestion is outside the scope of these proceedings. The CAISO acknowledges that accounting for unscheduled flow at the interties at MRTU start-up will be limited to the HASP and the Real-Time Market, but the CAISO states that the tariff clarifications proposed in these proceedings were not intended to expand that accounting in any way. The CAISO further states that it has not proposed to account for estimates of unscheduled flow at the interties in the Day-Ahead Market because it has not yet developed an accurate methodology for doing so due to the limited data it has available regarding external, unscheduled flows.⁵⁷

68. The CAISO states that it discussed this limitation in the Integrated Balancing Authority Area (IBAA) proceeding in Docket No. ER08-1113, and states the Commission found that, based on the data limitations, the different methodology submitted in the IBAA proceeding is a just and reasonable approach to modeling and pricing flows at highly integrated interties.⁵⁸

69. The CAISO indicates that it plans to develop a methodology that will allow it to more effectively model unscheduled flow at the interties in the Day-Ahead Market and, after a stakeholder process, the CAISO will make any necessary filings to implement such a change. However, the CAISO states that it is not prepared to do so at this time.⁵⁹

⁵⁵ *Id.* at 9.

⁵⁶ Modesto Irrigation District February 5, 2009 Motion to Intervene, Comments and Protest (Modesto Protest) at 6-7.

⁵⁷ CAISO Answer at 11-12.

⁵⁸ *Id.* at 12 (citing *Cal. Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,271, at P 148-49 (2008)).

⁵⁹ *Id.*.

70. SMUD argues that section 3.1.9 of the BPM for Market Operations and section 4.2.4.3 of the BPM for the Full Network Model, which the CAISO cited in its transmittal letter as documenting the method of accounting for unscheduled flow, appear to address unscheduled flow solutions for New Participating Transmission Owners (TOs), but it is not clear whether they are intended to apply otherwise. SMUD asserts that the term “compensating injections” should be more clearly defined in the BPMs and the tariff, and expresses hope that its discussions with the CAISO concerning compensating injections concepts further will resolve SMUD’s concerns.⁶⁰

71. In response, the CAISO clarifies that the unscheduled flow methodology it cited in the BPMs applies to all the interties and not only the New Participating TO model. The CAISO states that it has found recent discussions with SMUD helpful in understanding SMUD’s concerns. However, the CAISO does not intend to make any changes to the compensating injections methodology in either the parameter tuning proceeding or the instant proceeding. The CAISO states that it hopes that continued dialogue between the neighboring Balancing Authorities (including SMUD) can yield improved methodologies for managing congestion associated with unscheduled flow. At this time, the CAISO proposes to continue with its current method for compensating injections in the HASP and the Real-Time Market, but if it becomes necessary to make further tariff changes to address this matter, the CAISO commits to conduct an appropriate stakeholder process and will submit the changes for Commission approval.⁶¹

Commission Determination

72. The Commission finds that the CAISO’s proposed tariff modifications improve the level of detail with respect to how the CAISO will account for the impact of unscheduled flow in the Real-Time Market. Additionally, we find the CAISO’s above clarifications and explanations adequately address the concerns raised by the intervenors. At this time, we decline to require the CAISO to account for unscheduled flow in the Day-Ahead Market as it will do in the HASP and the Real-Time Market, as this suggested modification is beyond the scope of this proceeding. We note the CAISO’s commitment to make progress in this regard and that it will address the matter during an upcoming stakeholder process. Accordingly, we find the proposed tariff changes regarding accounting for unscheduled flow in the Real-Time Market just and reasonable and accept the proposed tariff sheets effective March 31, 2009. Additionally, we accept the CAISO’s commitment to conduct a stakeholder process if necessary.

⁶⁰ Sacramento Municipal Utility District February 5, 2009 Motion to Intervene, Comments and Limited Protest (SMUD Protest) at 2-3.

⁶¹ CAISO Answer at 13.

C. Other Tariff Clarifications/Compliance Filing

1. Voltage Support and Black Start

73. In its filing, CAISO states that in its answer to comments filed in Docket Nos. ER08-367 and ER06-615 concerning the CAISO's December 21, 2007 filing of an updated comprehensive MRTU Tariff, the CAISO acknowledged that tariff provisions relating to the rates and cost allocation for Voltage Support and Black Start - specifically sections 11.10.7 and 11.10.8, which were essentially identical to sections 8.12.4 and 8.12.5 of the currently effective CAISO Tariff - were not appropriately adapted for MRTU. The CAISO proposed to file modifications to these sections to adapt the language while preserving the cost allocation reflecting in the currently effective tariff to the extent possible. In the December 4 Order (P 61), the Commission directed the CAISO to make these changes on compliance.⁶²

74. The CAISO states that prior to the issuance of the December 4 Order, the CAISO developed draft tariff language as part of the stakeholder process. In the course of developing that tariff language through the stakeholder process, the CAISO states that it realized additional changes would be necessary to adapt the preexisting tariff language for MRTU regarding Voltage Support and Black Start. The CAISO also concluded that it was necessary to correct some MRTU Tariff sections to ensure that resources providing Exceptional Dispatch Energy for Voltage Support would be compensated under the Exceptional Dispatch tariff provisions. Because of the number of changes and affected tariff provisions, the CAISO proposes several changes to the MRTU Tariff (summarized below).⁶³

75. First, the CAISO proposes to modify section 8.2.33 to clarify that when the CAISO directs a Generating Unit to reduce its MW output to provide the CAISO with additional Voltage Support, it is eligible to recover its opportunity cost.⁶⁴

76. Second, the CAISO proposes to adapt and update the explanation of opportunity cost for MRTU and move it from section 8.3.8 to section 11.10.1.4 so that all settlements-related tariff provisions are in section 11. The CAISO states that it made clear to stakeholders that under both the currently effective CAISO Tariff and the MRTU Tariff, the CAISO does not compensate resources for Voltage Support, *per se*, other than through payment of opportunity costs in the event there is a lost opportunity to provide Energy, unless the resource is under a Reliability-Must-Run (RMR) Contract (in which case the compensation provided under the RMR Contract includes compensation for

⁶² January 2009 Filing at 10-11.

⁶³ *Id.* at 11.

⁶⁴ *Id.*

providing Voltage Support).⁶⁵

77. Third, the CAISO is proposing to delete anachronistic tariff language in sections 8.2.3.3, 8.3.8, and 8.3.9. The CAISO explains that the language proposed for deletion in section 8.2.3.3 does not include rates, terms, or conditions but rather indicates that at some point in the future the CAISO may subject Wheeling Through and Wheeling Out transactions to a reactive power charge to be developed through a future tariff amendment. In addition, the CAISO states that both sections 8.3.8 and 8.3.9 contain language relevant only to circumstances existing as of the original CAISO Operations Date (March 31, 1998). The CAISO states that such language should now be removed as unnecessary.⁶⁶

78. Fourth, the CAISO proposes to modify section 11.5.6.5 to clarify that Energy received from Black Start units providing Black Start services is paid the Exceptional Dispatch Settlement price but allocated like other Black Start costs pursuant to section 11.5.6.5. The CAISO has deleted references to Voltage Support Energy and allocation of Voltage Support Energy from this provision because it explains that Energy procured for purposes of Voltage Support is compensated and allocated as Exceptional Dispatch Energy – not Voltage Support.⁶⁷

79. Fifth, the CAISO proposes to update and adapt sections 11.10.1.4 (regarding Voltage Support) and 11.10.1.5 (regarding Black Start) to explain how non-Energy payments for these services are calculated. The CAISO states that section 11.10.1.4 explains how opportunity cost is calculated when the CAISO requires a resource to limit its output to provide Voltage Support. The CAISO states that the section also clarifies that incremental and decremental Energy obtained through Exceptional Dispatch is compensated and settled as Exceptional Dispatch Energy in accordance with sections 11.5.6.1 and 11.5.6.2.5.2. The CAISO explains that the changes to section 11.10.1.5 pertaining to Black Start resources indicate that such resources are compensated based on contractual provisions, provided that the resource will be compensated for Energy and be eligible for Bid Cost Recovery under the tariff in response to an Exceptional Dispatch if the Energy price and costs are not specified in any applicable contract.⁶⁸

80. Sixth, the CAISO states that it has revised the Voltage Support and Black Start cost allocation provisions in sections 11.10.7 and 11.10.8 in compliance with the December 4 Order. The CAISO explains that section 11.10.7 allocates Voltage Support to Measured Demand, excluding demand within a Metered Subsystem except as provided

⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ *Id.* at 11-12.

⁶⁸ *Id.* at 12.

in section 4.9.4.4. The CAISO further states that section 11.10.8 allocates Black Start costs to Measured Demand excluding exports and excluding demand within a Metered Subsystem except as provided in section 4.9.4.4.⁶⁹

81. Modesto argues that the CAISO proposes to revise the Black Start cost allocation in section 11.10.8 to include “Measured Demand,” contrary to other CAISO statements on the issue.⁷⁰

82. In its Answer, the CAISO agrees that, in order to adapt the preexisting and currently effective CAISO Tariff policy that Black Start costs are not allocated to exports, the second sentence in section 11.10.8 also needs to expressly exclude “exports to neighboring Balancing Authority Areas.” The CAISO commits to make this change on compliance.⁷¹

Commission Determination

83. Our review indicates that the CAISO’s proposed tariff changes to Black Start and Voltage Support are consistent with previously approved tariff provisions. As such, we accept the CAISO’s proposed tariff modifications to the Voltage Support and Black Start MRTU Tariff provisions effective March 31, 2009, subject to the changes the CAISO has agreed to make on compliance with respect to the issues raised by Modesto. Accordingly, we direct the CAISO to make the changes it proposes above in a compliance filing within 30 days of the issuance of this order.

2. Constrained Output Generators

84. The CAISO has substantially rewritten the tariff provisions concerning Constrained Output Generators (COGs) for the purpose of clarifying the tariff language to accurately reflect the CAISO’s COG policy. The tariff clarifications concern section 27.7 and its subsections and the definition of a COG eligible resource. The CAISO’s proposed definition of a COG eligible resource provides that the resource eligible for special COG treatment has an operating range no greater than the higher of three MWs or five percent of its maximum output. The CAISO states that any such resource is eligible to participate as a COG, in which case the CAISO will use the resource’s “Calculated Energy Bid,” consisting of the resource’s Minimum Load Cost divided by the MW quantity of the resource’s maximum output. Accordingly, the CAISO has added to Appendix A of the tariff the new defined term “Calculated Energy Bid.” The CAISO states that a resource with zero operating range must participate as a COG. A resource

⁶⁹ *Id.*

⁷⁰ Modesto Protest at 7-8.

⁷¹ CAISO Answer at 14.

that has a non-zero operating range has the option to elect COG status or to participate like any other non-COG resource and can submit Bids within its operating range.⁷²

85. The CAISO has also added tariff language indicating that a Scheduling Coordinator must make its annual election prior to each calendar year by registering the resource's PMin (the resource's minimum operating level) in the Master File as equal to its PMax (the resource's maximum operating level) less 0.01 MW. The CAISO states that this Master File requirement is necessary as the CAISO discovered through testing and market simulation that the MRTU software must utilize an Energy Bid for some small amount of capacity in order to implement the CAISO's COG policy to allow such a resource to participate in the CAISO markets and to be eligible to set the LMP using a Calculated Energy Bid.⁷³

86. SoCal Edison questions why this designation must be made before each calendar year. SoCal Edison argues that if resource constraints change during the year, Market Participants should not be forced to wait until the following year to correctly define the constraints. SoCal Edison proposes that any time a master file change to PMin or PMax results in the conditions outlined in this section, the CAISO must deem the resource(s) to be a COG. SoCal Edison also seeks clarification as to whether market participants must have made this designation prior to January 1, 2009, or whether there is an exception for the market start year. SoCal Edison requests that the Commission require the CAISO to modify the tariff as proposed above, and provide clarification on designation for 2009.⁷⁴

87. The CAISO responds that its policy on COGs, as reflected in filed and accepted tariff language, always required an annual election by resources eligible to participate as a COG, and a COG-eligible resource was always required to have this value in place for the entire year. The CAISO also makes clear that a COG-eligible resource that does not elect COG status can change its Master File information during the year as necessary to reflect actual operating constraints.⁷⁵

88. The CAISO maintains that no tariff clarification is necessary respecting whether, for MRTU market start, market participants must have made this designation prior to January 1, 2009, or whether there is an exception for the market start year. The CAISO states it issued a Market Notice on January 13, 2009 indicating that the Master File freeze would be implemented as of February 27, 2009. The CAISO explains that COG-eligible resources must have elected COG status by this date through submission of a Master File change indicating that the resource's PMax-PMin is equal to 0.01. The CAISO also

⁷² January 2009 Filing at 12-13.

⁷³ *Id.* at 13.

⁷⁴ SoCal Edison Comments at 3-4.

⁷⁵ CAISO Answer at 14.

states that COGs with zero capacity between PMax-PMin can only participate as COGs.⁷⁶

Commission Determination

89. The Commission finds that the CAISO's proposed tariff changes are consistent with previously accepted tariff provisions. Additionally, the CAISO's above explanations adequately address the concerns raised by SoCal Edison. As such, we accept the proposed tariff provisions effective March 31, 2009.

3. Ramping Issues

90. In the January 2009 filing, the CAISO asserts that its market simulations evinced a need to simplify the use of ramp rates for dispatching resources. Therefore, it proposes to modify sections 34.5 and 34.15.1 to provide that the CAISO will utilize a resource's Operational Ramp Rate, rather than its Regulation Ramp Rate, when the resource is providing or offering to provide both Energy and Regulation, subject to the resource's Dispatch Operating Point remaining within its applicable Regulating Range. The CAISO states that this change will improve the performance of the MRTU software and resolve inconsistent cross-hour ramping results while honoring resource-specific constraints.⁷⁷

91. SoCal Edison states that the CAISO's revised language regarding operational and regulation ramp rates remedies a major problem market participants were seeing in market simulation. However, SoCal Edison states that it also reintroduces a problem from the current (pre-MRTU) market which was the impetus for the original language being drafted. SoCal Edison argues that the CAISO dispatch software should observe the lower of the two rates, not one or the other. SoCal Edison requests that the Commission require the CAISO to revise the tariff accordingly.⁷⁸

92. In its Answer, the CAISO states that it will observe the Operational Ramp Rate subject to the resource's Regulation Ramp Rate limits. The CAISO states that if a Scheduling Coordinator believes that it is necessary to reflect a lower Operational Ramp Rate, it can alter its Operational Ramp Rate through a Scheduling and Logging for ISO of California (SLIC) ticket. The CAISO states that it does not believe that any tariff changes are required.⁷⁹

93. As discussed *supra*, on March 6, 2009, the CAISO filed a Motion to Modify Effective Date of Certain Proposed Tariff Revisions and for Expedited Answer Period.

⁷⁶ *Id.*

⁷⁷ January 2009 Filing at 13.

⁷⁸ SoCal Edison Comments at 4.

⁷⁹ CAISO Answer at 15.

Specifically, the CAISO requested that the proposed revisions to sections 34.5(10), 34.15.1(c), and 34.15.5 (regarding the use of ramp rates for dispatching resources) be made effective as of October 1, 2009, in lieu of the March 31, 2009 effective date proposed in the January 15 Tariff Amendment. The CAISO states this change is necessary because the MRTU software modifications being developed to implement these tariff revisions will not be ready to be included in the MRTU software as of March 31.

94. In its motion, the CAISO states that very recently it has determined through its testing process that the MRTU software modifications needed to implement the revisions to sections 34.5(10), 34.15.1(c), and 34.15.5 are not performing well enough to be included in the MRTU software as of March 31. The CAISO states that soon after it identified this issue, it posted on its website an MRTU Technical Bulletin that describes the ramping rules that will apply under MRTU until the simplified ramping rules can be put into effect.⁸⁰ The CAISO also explains that it discussed the matter at its March 5, 2009 MRTU Parallel Operations Touchpoint conference call with market participants.⁸¹ The CAISO states that it will continue to develop the MRTU software modifications and anticipates that the software will be ready for implementation on October 1, 2009.⁸²

95. The CAISO notes that although it anticipates having the software developed prior to October 1, 2009, it believes that it should defer implementation until after the peak summer period and that, in the near term, its resources must necessarily be focused on ensuring a successful MRTU launch.⁸³

96. The CAISO explains that a reason for adopting the simplified ramping rules is to improve the performance and efficiency of the co-optimization of Energy and Ancillary Services. The CAISO states it still believes that, when the simplified ramping rules are ultimately implemented, they will be a valuable enhancement to the MRTU markets. However, in the interim, the CAISO states it has been able to make additional software improvements that have also enhanced performance. Specifically, the CAISO states it has improved the consistency of Bids and Schedules used in the Short-Term Unit Commitment Process for hours 3, 4, and 5 of the five-hour run of the Short-Term Unit Commitment Process. By improving the consistency between Load forecast and Bids to

⁸⁰ March 6, 2009 CAISO Motion at 3 (citing Technical Bulletin *available at* <http://www.caiso.com/2368/2368bda5d280.pdf>).

⁸¹ *Id.* (citing CAISO briefing report regarding the matters discussed on the MRTU Parallel Operations Touchpoint conference call, *available at* <http://www.caiso.com/2368/2368ae4967150.pdf>).

⁸² *Id.* at 3-4.

⁸³ *Id.* at 4, n.9.

better match awards in the Day-Ahead Market, the CAISO states the software is better able to come to a solution. The CAISO states that it has also made other improvements to software. As a result, the CAISO states that deferring the implementation of the simplified ramping rules does not pose significant performance issues. The CAISO states that, although the performance of the simplified ramping approach did not achieve the level of consistency it was seeking, its other software improvements have enhanced the performance of the existing ramping methodology.⁸⁴

97. The CAISO therefore requests that the Commission make the revisions to sections 34.5(10), 34.15.1(c), and 34.15.5 effective as of October 1, 2009, in lieu of the March 31 effective date proposed in the January 15 Tariff Amendment. The CAISO does not, however, request that the Commission modify the March 31 effective date it proposes for all of the other tariff revisions contained in the January 15 Tariff Amendment, including the revisions to section 34.5(7), to sections 34.15.1(d), (e), and (g), and to the portions of section 34.15.5 not mentioned above. The CAISO states these other tariff revisions do not concern the use of ramp rates. The CAISO claims that delaying the effective date of the new ramping methodology will not impair the continued justness and reasonableness of the current methodology at sections 34.5(10), 34.15.1(c), and 34.15.5 until the revisions to those sections go into effect.⁸⁵

98. The CAISO states that due to the discrete nature of the pending revisions to those sections, modifying the effective date of the revisions to sections 34.5(10), 34.15.1(c), and 34.15.5 will also not affect in any way the other previously approved provisions of the tariff, the other revisions contained in the January 15 Tariff Amendment, or any other proposed tariff revisions pending before the Commission. Therefore, argues the CAISO, modification of the effective date for the ramping methodology revisions is appropriate.⁸⁶

99. The CAISO notes that following Commission approval of the October 1, 2009 effective date, the CAISO will submit, on compliance, revised tariff sheets for sections 34.5(10), 34.15.1(c), and 34.15.5 that reflect that modified effective date.⁸⁷

100. In order to implement the requested October 1, 2009 effective date, the CAISO requests waiver, pursuant to section 35.11 of the Commission's regulations (18 C.F.R. § 35.11 (2008)), of the notice requirements set forth in section 35.3 of the Commission's

⁸⁴ *Id.* at 4.

⁸⁵ *Id.* 4-5 & n.11 (citing *Cal. Indep. Sys. Operator Corp.*, 125 FERC ¶ 61,262, at Ordering Paragraph (A) (2008)).

⁸⁶ *Id.* at 5.

⁸⁷ *Id.* at n.12.

regulations (18 C.F.R. § 35.3 (2008)).⁸⁸

101. In its responsive comments, SoCal Edison states that, while it is not recommending that the CAISO delay its launch of MRTU to address these ramping issues, it is requesting that the Commission be prepared to implement temporary mitigation measures of Ancillary Service bids if artificial scarcity conditions present themselves in the interim time period between MRTU market launch and the date CAISO implements its ramping proposal.⁸⁹

Commission Determination

102. The Commission finds the CAISO's proposed modifications and requested effective date just and reasonable, based on the above-explanation, which we find addresses the concerns raised by SoCal Edison and by the recent CAISO testing process. We will accept the revisions to sections 34.5(10), 34.15.1(c), and 34.15.5 effective as of October 1, 2009, in lieu of the March 31 effective date proposed in the January 15 Tariff Amendment. Except as otherwise noted elsewhere in this Order, we will not modify the March 31 effective date for all of the other tariff revisions, including the revisions to section 34.5(7), to sections 34.15.1(d), (e), and (g), and to the portions of section 34.15.5 not mentioned above, as these other tariff revisions do not concern the use of ramp rates. We find that deferring the new ramping methodology effective date does not undermine the continued justness and reasonableness of the current versions of sections 34.5(10), 34.15.1(c), and 34.15.5 until the revisions to those sections go into effect. We direct the CAISO to submit, on compliance, revised tariff sheets for sections 34.5(10), 34.15.1(c), and 34.15.5 that reflect that modified effective date.

103. In order to implement the requested October 1, 2009 effective date, we grant waiver, pursuant to section 35.11 of the Commission's regulations (18 C.F.R. § 35.11 (2008)), of the notice requirements set forth in section 35.3 of the Commission's regulations (18 C.F.R. § 35.3 (2008)).

104. We note SoCal Edison's concerns regarding potential issues of artificial scarcity arising during the interim period between MRTU market launch and the date the CAISO implements its ramping proposal. While we will not prejudge the Commission's response to future issues, we note that we are prepared to address any concerns raised by parties after MRTU implementation.

4. Inter-Scheduling Coordinator Trades

105. The CAISO proposes several changes to section 28 relating to Inter-Scheduling

⁸⁸ *Id.* at 5.

⁸⁹ March 13, 2009 SoCal Edison Responsive Comments.

Coordinator Trades and to the definition of Physical Trades in Appendix A of the tariff. The CAISO states that its two main purposes in proposing these changes are to clarify that the Aggregated Pricing Nodes of Physical Scheduling Plants will be eligible locations for Physical Trades and to clarify that incremental Physical Trades submitted in the HASP will be validated against the HASP Advisory Schedules. The CAISO also proposes clarifying changes to section 28.⁹⁰

106. SoCal Edison asserts that the new text in section 28.1.6.3 should read “Day-Ahead Schedule or HASP Advisory Schedule,” as is the case in section 28.1.6.⁹¹ In its Answer, the CAISO agrees to make this clarification on compliance.⁹²

107. State Water Project argues that the tariff amendment inexplicably treats nodally priced Participating Loads differently from generation in terms of location for Inter-Scheduling Coordinator Trades. State Water Project contends that the CAISO should be required either explain why revised section 28.1.2 would deny Participating Loads the same ability as generators to use their nodes or Customer Load Aggregation Point for Inter-Scheduling Coordinator Trades; or in the alternative, the CAISO should eliminate the different treatment for Participating Loads.⁹³

108. The CAISO answers that this issue goes beyond the scope of the clarifications the CAISO proposed in the tariff amendment. The CAISO argues the clarifications are in full accord with existing tariff policies and reflect the permitted locations for Inter-Scheduling Coordinator Trades that were litigated years ago in the seller’s choice proceeding (Docket No. EL04-108). The CAISO states that, pursuant to the Commission’s directives in that proceeding, the locations under section 28.1.2 that can be used for Inter-Scheduling Coordinator Trades are limited to individual Pricing Nodes of Generating Units and Aggregated Pricing Nodes. The CAISO also states that the California Department of Water Resources, of which State Water Project is a part – was itself the main proponent in the seller’s choice proceeding of the rule limiting the locations for Inter-Scheduling Coordinator Trades in this manner. CAISO argues that State Water Project provides no reason why this long-standing rule should be overturned in the instant proceedings. Nevertheless, the CAISO commits to add this issue to the general discussion of potential tariff and Participating Load Agreement changes.⁹⁴

⁹⁰ January 2009 Filing at 13.

⁹¹ SoCal Edison Comments at 4.

⁹² CAISO Answer at 15.

⁹³ State Water Project Protest at 7.

⁹⁴ CAISO Answer at 16.

Commission Determination

109. The Commission finds that the proposed tariff changes provide the necessary consistency with previously approved tariff provisions. We also find that the CAISO's explanation adequately addresses the concerns raised by State Water Project. The Commission accepts the CAISO's tariff revisions to the Inter-Scheduling Coordinator Trades effective March 31, 2009, subject to the CAISO making the changes it has agreed to make on compliance with respect to the issues raised by SoCal Edison. Accordingly, we direct the CAISO to make the clarifying changes in a compliance filing within 30 days of the issuance of this order. We also accept the CAISO's commitment to add the State Water Project's issue to the general discussion of potential tariff and Participating Load Agreement changes.

5. Clarification to Settlement Language to Ensure Revenue Neutrality Related to Congestion Revenue

110. The CAISO states that it is proposing tariff changes to clarify section 11.2.4.4.1 in order to ensure revenue neutrality in the settlement of congestion charges and payments. The CAISO states that the MRTU Tariff already provides that in the full funding settlement of the Congestion Revenue Rights (CRR) Balancing Account, the CAISO will net out Integrated Forward Market Congestion Credits as reflected in section 11.2.4.4.1. The CAISO explains the congestion credits account for the reversal of the crediting of the congestion component of LMPs for valid and balanced schedules submitted by Scheduling Coordinators under Existing Transmission Contracts, Transmission Ownership Rights, or Converted Rights. The CAISO states it is necessary to net out these credits from the CRR Balancing Account. Otherwise the CAISO explains, the CRR Balancing Account will not be revenue neutral after it has been fully cleared, as the CAISO would not be accounting for the fact that certain congestion charges are effectively not collected. The CAISO states that through its review and validation of Charge Codes during its pre-MRTU *go-live* activities, the CAISO determined that the CRR Balancing Account settlement language in the tariff lacked the additional requirement that the HASP and Real-Time Market congestion credits also be netted out. The CAISO applies the congestion credit to Existing Transmission Contracts and Transmission Ownership Rights in the HASP and Real-Time Market also. The CAISO explains that without this accounting, the CAISO would not be revenue neutral. The CAISO states that the Charge Codes have already been developed to net out the additional HASP and Real-Time Market amounts and the tariff should be conformed accordingly.⁹⁵

111. The CAISO also addresses revenue neutrality in the provisions in section 11.5.4.2 regarding the allocation of non-zero amounts of the sum of Instructed Imbalance Energy.

⁹⁵ January 2009 Filing at 14-15.

The CAISO states that Uninstructed Imbalance Energy, and Unaccounted for Energy must also ensure that certain congestion revenues are excluded in order to arrive to revenue neutrality. In the first instance the CAISO is proposing to exclude from the demand that is subjected to Real-Time Congestion Offset, which is calculated to account for the non-assessment of congestion charges to Existing Transmission Contracts, Converted Rights, and Transmission Ownership Rights under the “perfect hedge” construct, any demand that is subject to the congestion credit in the Integrated Forward Market. The CAISO states that section 11.5.4.2 already provides for the exclusion of the demand that was subjected to the congestion credit in the HASP and Real-Time Market, but because the congestion credit is applied in the Integrated Forward Market as well, the demand that is subject to this credit also has to be excluded from the calculation.⁹⁶

112. Similarly, the CAISO is proposing to exclude from the demand subject to the Real-Time Cost of Losses Offset any Transmission Ownership Rights demand that is subject to the Integrated Forward Market Marginal Cost of Losses Credit. The CAISO states the demand that is subject to the Real-Time Market Marginal Cost of Losses Credit is already addressed in section 11.5.4.2 but the CAISO inadvertently excluded the accounting for this type of demand that is subject to the marginal cost of losses credit in the Integrated Forward Market.⁹⁷ Moreover, upon further review of section 11.5.4.2, in the language on the summing up Instructed Imbalance Energy, Uninstructed Imbalance Energy and Unaccounted for Energy for the purposes of determining any non-zero amounts that need to be allocated to market participants, the CAISO identified the need to include in this calculation the Real-Time Ancillary Services Congestion revenue that the CAISO cannot keep but must allocate to market participants. The CAISO states that this methodology is consistent with the Charge Codes that allocate-out any such congestion revenue through neutrality accounting.

113. With regard to the CAISO’s proposed clarifications of section 11.2.4.4.1, Modesto requests that the CAISO explain whether Congestion costs are included in the CRR Balancing Account in order to have amounts to credit against. Modesto argues that if there are no amounts to credit against, the workability of the CRR Balancing Account is called into question.⁹⁸

114. The CAISO counters that to the extent that Modesto questions the workability of the CRR Balancing Account, Modesto raises an issue that is beyond the scope of these proceedings. The CAISO posits that the purpose of the CRR Balancing Account is simply to collect the revenue associated with Congestion payments in the integrated forward market under the CAISO’s LMP paradigm and to distribute that revenue to CRR

⁹⁶ *Id.* at 15.

⁹⁷ *Id.*

⁹⁸ Modesto Protest at 7.

holders, in a manner that smoothes out potential hourly congestion revenue surpluses or shortfalls over the course of each month. The CAISO states that its proposed clarifications do not in any way change that function or the viability of the CRR Balancing Account. The clarifications, argues CAISO, are only made for accuracy consistent with the fundamental elements of the CRR Balancing Account already contained in the tariff. The CAISO explains the CRR Balancing Account accounts for all Congestion revenue received under the LMP paradigm in the Integrated Forward Market. The CAISO states that a fundamental principle of the CAISO's LMP market is that existing rights under Existing Transmission Contracts, Converted Rights, and Transmission Ownership Rights will receive a Congestion credit for the valid and balanced portions of their respective Self-Schedules (citing section 11.2.1.5). The CAISO states that credit is also funded from the Congestion revenue collected under the LMP. In order to account for the distribution of the Congestion credit to holders of such rights for their integrated forward market self-schedules, the CAISO states it must net the associated Congestion revenue out of the CRR Balancing Account.⁹⁹

115. Moreover, the CAISO states that because these existing right self-schedules, as a result of the Congestion credit, do not pay Congestion revenues into the CRR Balancing Account, likewise they should not be included as recipients in the distribution of the end-of-month balance in the CRR Balancing Account. The CAISO explains the existing language in section 11.2.4.4.1 already provides for the treatment just described, but with insufficient accuracy. In particular, the CAISO states that prior to its submission of the clarifications in this proceeding, section 11.2.4.4.1(c) did not specify how the amounts to be distributed relate to the net amounts of Congestion credits. The CAISO therefore argues that the Commission should accept the clarifications as they do not materially change the function, the intent, or the viability of the CRR Balancing Account, and they do ensure that the tariff specifies all of the essential features of that account.¹⁰⁰

116. SoCal Edison asserts that the revised language in section 11.5.4.2 on the summing of Instructed Imbalance Energy, Uninstructed Imbalance Energy, and Unaccounted for Energy for the purposes of determining any non-zero amounts that need to be allocated to market participants, should be further modified to state that the pro rata shares of Measured Demand to be used in the allocation exclude valid, balanced, self-scheduled Existing Transmission Contracts.¹⁰¹

117. The CAISO urges that the Commission reject SoCal Edison's proposal, stating that the language in section 11.5.4.2 to which SoCal Edison refers has to do with the general neutrality allocation, and there is no basis for SoCal Edison's proposed

⁹⁹ CAISO Answer at 17-18.

¹⁰⁰ *Id.* at 18.

¹⁰¹ SoCal Edison Comments at 3.

exemption of Measured Demand associated with ETCs.¹⁰² Nevertheless, after further reviewing section 11.5.4.2, the CAISO believes that additional changes to the section are appropriate in order to net out the Real-Time Marginal Cost of Losses Offset, and to correct a typographical error.¹⁰³

118. In its Answer, the CAISO states that additional review also revealed that the definitions of the terms Real-Time Congestion Offset and Real-Time Marginal Cost of Losses Offset require additional clarification. The CAISO states that the definition of Real-Time Congestion Offset should be revised to read as follows: “A component of neutrality adjustments as provided in section 11.5.4.2 to account for the distribution of excess Real-Time Congestion revenue and for the non-assessment of the Marginal Cost of Congestion to Measured Demand for Existing Transmission Contracts and Transmission Ownership Right Self-Schedules in the Real-Time as provided in 11.5.7.” Further, the CAISO states that the definition of Real-Time Marginal Cost of Losses Offset should be revised as follows: “A component of the neutrality adjustments as provided in section 11.5.4.2 to account for the distribution of excess Real-Time Marginal Cost of Losses and the non-assessment of Marginal Cost of Losses charges to Measured Demand for Transmission Ownership Right Self-Schedules eligible for the Real-Time Market Marginal Cost of Losses Credit for Eligible Transmission Ownership Right Self-Schedules as provided in section 11.5.7.2.” The CAISO commits that upon Commission approval of these proposed changes, it would file them on compliance.¹⁰⁴

Commission Determination

119. The Commission finds that the CAISO’s proposed tariff language, as revised, provides additional clarity to reflect application of the “perfect hedge,” and clarifies that injections into and withdrawals from the CRR Balancing Account are subject to the terms of the perfect hedge. We agree with the CAISO that there is no basis to modify tariff language changing the general neutrality allocation methodology. Otherwise, we find the CAISO’s explanations adequately address the concerns raised by the intervenors. The Commission accepts the CAISO’s proposed tariff modifications effective March 31, 2009, and we direct the CAISO to make the changes in a compliance filing within 30 days of the issuance of this order.

¹⁰² CAISO Answer at 18.

¹⁰³ *Id.* at 18-19.

¹⁰⁴ *Id.* at 19-20.

6. Elimination of the Requirement to Electronically Tag RUC Capacity

120. The CAISO explains that the MRTU Tariff provides that System Resources¹⁰⁵ that are awarded Ancillary Services capacity or Residual Unit Commitment (RUC) Capacity in the Day-Ahead Market are required to electronically tag (i.e., assign an e-Tag, as prescribed by the Western Electricity Coordinating Council (WECC)) the Ancillary Services capacity or RUC capacity. The CAISO states that this tagging requirement for Ancillary Services capacity and RUC capacity was included in order to enforce the rescission of payments for amounts of such capacity that becomes undispachable. The tariff provides that if the amounts of Ancillary Services capacity or RUC capacity in an e-Tag differs from the amounts of such for the System Resource, the CAISO will rescind payments for any portion of the awarded capacity that becomes undispachable capacity (section 8.10.8.1).¹⁰⁶

121. The CAISO indicates that it has become evident that it is not possible to actually electronically tag RUC capacity under the WECC rules. Therefore, the CAISO believes that the sections 8.10.8.1 and 31.5.7.1 of the tariff must be revised to reflect the fact that RUC capacity is not subject to electronic tagging.¹⁰⁷

122. The CAISO states that certain market participants requested additional information on why the electronic tagging of RUC capacity is not feasible and what the implications are. The CAISO explains that the infeasibility arises from the fact that NERC does not provide market participants with an entry for RUC capacity in its e-Tag. The CAISO explains that without the e-Tag, it is not clear how the CAISO can determine whether or not the external resource is dispatchable. Therefore, the CAISO is proposing to eliminate the requirement that RUC capacity also be tagged.¹⁰⁸

123. SoCal Edison states that the CAISO's assertion that RUC cannot be e-Tagged is incorrect. SoCal Edison states that according to documents on the CAISO website, not only is it possible to e-Tag capacity, the CAISO currently does this in today's market.¹⁰⁹ SoCal Edison requests that the CAISO either provide further clarification as to why this

¹⁰⁵ System Resources are defined as resources outside the CAISO's balancing authority area.

¹⁰⁶ January 2009 Filing at 16.

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ SoCal Edison Comments at 2 (citing the CAISO website *available at* <http://www.aiso.com/18d1/18d199f65a972.html> and <http://www.aiso.com/1899/1899bc564d8c0.pdf>).

becomes impossible under MRTU, or keep the current e-Tagging requirements in the Tariff.¹¹⁰

124. The CAISO responds that SoCal Edison is incorrect in suggesting that the WECC Business Practices permit Scheduling Coordinators to e-Tag RUC capacity. The CAISO states that while it is true that under the WECC rules, Scheduling Coordinators e-Tag capacity and the CAISO does require e-Tagging of capacity, that capability expressly applies only to on-demand spinning and non-spinning operating reserves.¹¹¹

125. The CAISO states that, by contrast, the WECC Business Practices provide no ability to e-Tag capacity as RUC capacity. Therefore, the CAISO argues that if it were to require market participants to e-Tag RUC capacity, there would be no product code that could be applied under the WECC Business Practices.¹¹²

126. The CAISO notes that the documents on its website which SoCal Edison claims demonstrate that the CAISO currently e-Tags capacity in today's market addresses the tagging of Operating Reserves and/or Energy, not RUC capacity. The CAISO states that it had initially issued documents advising parties of the need to tag their RUC capacity consistent with the requirements of sections 8.10.8.1 and 31.5.7.1, both of which sections the CAISO proposes to modify in its tariff amendment. The CAISO believes that maintaining those tariff requirements would unnecessarily create complications, absent an unambiguous e-Tagging obligation for RUC capacity across the Interconnected Balancing Authority Areas. The CAISO argues that SoCal Edison has not demonstrated how it would be possible to maintain a requirement to tag RUC capacity under the WECC Business Practices.¹¹³

127. However, the CAISO states that it continues to believe that RUC capacity from System Resources that is found to be undispachable should have its RUC Availability Payment rescinded. It states, however, the practice of basing that undispachability on the lack of an e-Tag for the associated capacity will not be possible for RUC capacity. The CAISO also states that RUC capacity does not need to have transmission capacity reserved and as a result a tag for the capacity is not necessary for participation in RUC. The CAISO states that this became apparent to the CAISO as it worked towards implementing the requirement and the CAISO has not found, nor have stakeholders

¹¹⁰ *Id.*

¹¹¹ CAISO Answer at 20-21 ((citing Requirement WR1.1 under WECC Business Practice INT-BPS-009-1 (“[c]apacity e-tags shall only be used for On-Demand spinning and non-spinning Obligations/Resources.”)) *available at* http://www.wecc.biz/documents/library/Standards/BPs/INT-BPS-009-1_02-05-08.pdf.

¹¹² *Id.* at 21.

¹¹³ *Id.*

offered, a viable alternative at this time. Therefore, as proposed in the tariff amendment, the CAISO states that it is required to eliminate this tariff provision. The CAISO states that should alternative methods for determining whether a System Resource is undispachable be found to be appropriate in the future, the CAISO will file for approval of any appropriate amendments to its tariff to implement such methods.¹¹⁴

128. In considering the impact of eliminating the RUC capacity e-Tagging requirement from the tariff, the CAISO states that only a limited subset of System Resources are eligible to participate in RUC. The CAISO states that in order to participate in RUC, a System Resource has to be either a Resource Adequacy Resource or a Dynamic System Resource; Non-Dynamic System Resources are not eligible for RUC participation (section 31.5.1.1). Moreover, the CAISO states that Resource Adequacy Resources are not eligible for the RUC Availability Payment. The CAISO explains this eligibility requirement means that the RUC Availability Payment is only possible for RUC capacity procured from Dynamic System Resources that are not Resource Adequacy Resources. The CAISO state that this, in turn, means that there is a very limited amount of RUC capacity from System Resources that might retain their RUC Availability Payments even if they are not dispatchable. The CAISO posits that it is also important to consider that once RUC capacity is converted into energy in the Real-Time, a tag will be necessary for that energy. The CAISO also notes that the rescission requirements in section 31.5.7.2 will still continue to apply to RUC capacity, which means that the RUC Availability Payment will be rescinded to the extent that the dispatched energy associated with the RUC capacity is undeliverable in the Real-Time.¹¹⁵

Commission Determination

129. The Commission finds that the CAISO's explanations adequately address the concerns raised by SoCal Edison. In its answer, the CAISO explained that the use of e-Tags to determine if RUC capacity from a System Resource is dispatchable is not possible. This is because while in WECC it is possible to e-Tag capacity associated with on-demand spinning and non-spinning operating reserves, it is not possible to do so with capacity for RUC. Specifically, WECC e-Tag business practices do not provide for market participants to identify RUC capacity as a product on an e-Tag. Therefore, rescission of RUC availability payment to System Resources based on whether RUC capacity is e-Tagged is not workable. Since neither the CAISO nor the stakeholders have yet found a viable alternative, we agree with the CAISO that its proposal to eliminate the requirement is just and reasonable. We note the CAISO's willingness to explore and adopt alternative methods for determining whether a System Resource is undispachable. Accordingly, while we accept the proposed tariff changes regarding e-Tagging for RUC

¹¹⁴ *Id.* at 21-22.

¹¹⁵ *Id.* at 22-23.

capacity effective March 31, 2009, we direct the CAISO to continue to work with the stakeholders to pursue a viable alternative as soon as possible after MRTU implementation.

7. Posting Requirements

130. The CAISO states that in its effort to validate its ability to post market information, as required in by the tariff, it noted that several provisions were not clearly articulated. The CAISO proposes a series of clarifications that are intended to continue to provide the same level of detail that was previously anticipated, but more precisely state the format and the actual data posting. These changes are proposed to sections 6.5.3.2.2, 6.5.4.2.2, 6.5.5.2.2, and 6.5.5.2.3.¹¹⁶

131. The CAISO is proposing to clarify that the posting of total Day-Ahead Schedules is for total Supply and Demand by Transmission Access Charge (TAC) Area and for the entire CAISO Balancing Authority Area. The CAISO is proposing to also separately state that it will post the total Day-Ahead Schedules (MWh) of imports and exports by Transmission Interface. The CAISO states that both of these concepts were captured in the existing tariff language stating that the CAISO was going to post the total Day-Ahead Schedules (MWh) by Generator, Demand, and Scheduling Point for the CAISO Balancing Authority Area. The CAISO states that the proposed changes clarify the posting of total supply and not by Generator. The CAISO explains that the use of the term Generator in this context was erroneous and was not logical because it implied that CAISO would post total supply of each Generator to the public. The change also clarifies that the Demand is by Transmission Access Charge area, which is the same area as the Default Load Aggregation Points (LAPs). The CAISO states the separate listing of the Supply and Demand at the interties, i.e., imports and exports at Transmission Interfaces, is in direct response to market participants' requests during the stakeholder process. While it believes Supply and Demand are broad enough to capture this requirement, the CAISO agreed with stakeholders that it would be beneficial to specify them separately as the first listing could be read to mean that the postings are only for internal locations. Similar clarifying changes are proposed in section 6.5.4.2.2 that pertains to postings in the HASP.¹¹⁷

132. The CAISO states that, consistent with its request for approval of tariff changes to defer its ability to procure Ancillary Services at the interties in the HASP (now approved), it is also proposing to delete the requirement that it post total HASP Advisory Schedules (MWh) and HASP Ancillary Service Awards by Scheduling Point.¹¹⁸

¹¹⁶ January 2009 Filing at 16.

¹¹⁷ *Id.* at 16-17.

¹¹⁸ *Id.*

133. The CAISO is also proposing additional clarifications to specify the granularity at which it will post the LMPs, Ancillary Service Marginal Prices, and CAISO Forecast of CAISO Demand in both sections 6.5.3.2.2 and 6.5.4.2.2. Finally, the CAISO is proposing to delete section 6.5.5.2.3, explaining that it is redundant with the requirement to post the same information every five minutes as stated in section 6.5.5.2.4.¹¹⁹

134. Modesto contends that the CAISO's proposal to modify section 6.5.4.2.2 to delete the requirement to post total HASP Advisory Schedules and Ancillary Services awards by Scheduling Point will leave market participants, other Balancing Authorities, and Load Serving Entities without the ability to see and adjust for Congestion after the Day-Ahead Market, and could lead to operational problems. Modesto requests that the Commission direct the CAISO to retain this posting requirement.¹²⁰

135. The CAISO counters that the Commission should accept the tariff modification as it proposed. It explains that it proposed the modifications to section 6.5.4.2.2 consistent with its request for approval of tariff changes in Docket No. ER09-213 to defer its ability to procure Ancillary Services at the interties in the HASP.¹²¹ The CAISO states that the Commission recently approved that CAISO request in Docket No. ER09-213.¹²² The CAISO reasons that this means information regarding total HASP Advisory Schedules and Ancillary Services awards by Scheduling Point will be nonexistent at MRTU start-up and therefore does not need to be referenced in section 6.5.4.2.2. The CAISO states the HASP Advisory Schedules are non-binding schedules for internal resources, which are dispatched in the Real-Time Market rather than in the HASP. The CAISO states that it is not evident that the absence of such information regarding internal resources could have any impact on other Balancing Authorities or could lead to operational problems. The CAISO also notes that it is not proposing to revise the tariff to alter its obligation to post on its Open Access Same-Time Information System (OASIS) the binding schedules at the interties, which will provide more information to its neighboring Balancing Authorities than those Balancing Authorities provide to CAISO market participants.¹²³

136. Powerex states that the CAISO's proposal does not appear to go far enough in providing market participants with the information they need, and could potentially provide market participants with less information than they have now. Powerex states that the CAISO currently posts on its OASIS Available Transfer Capability (ATC) both on a directional basis and on gross imports and exports. Powerex states that under the

¹¹⁹ *Id.*

¹²⁰ Modesto Protest at 9.

¹²¹ January 2009 Filing at 17.

¹²² *Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,081, at P 58 (2009).

¹²³ CAISO Answer at 23-24.

proposed provisions, it appears the CAISO may only publish information regarding Total Day-Ahead Schedules for net imports and exports, rather than publishing Total Day-Ahead Schedules for gross imports and exports, as currently provided by the CAISO. Powerex states that the information on gross Total Day-Ahead Schedules is more complete and meaningful, because it allows market participants to know the total volumes of imports and exports on each intertie, rather than just net values. Powerex argues that posting only the net values would be a step backward. Powerex requests that the Commission direct the CAISO to publish gross Total Day-Ahead Schedules for both imports and exports by Transmission Interface, not just the net imports and exports schedules.¹²⁴

137. The CAISO responds that its tariff clarification filing was not intended to make any changes that would require the expansion of MRTU functionality. The CAISO states, that functionality would need to be expanded in order to accommodate what Powerex proposes, because the MRTU systems have long been designed to post net amounts only. The CAISO states that with MRTU expected to be implemented on March 31, 2009, it would not be possible to change the software specifications prior to MRTU start-up in order to produce the gross data. The CAISO states that even if it were possible to change the software specifications within the next few weeks, it would also be unnecessary. The CAISO states that the main purpose of posting information pursuant to sections 6.5.3.2.2 and 6.5.4.2.2 is to inform market participants about the Available Transmission Capacity with every market clearing, and the posting of net amounts satisfies that goal and suffices for MRTU start-up. The CAISO states that any additional information requested by market participants will have to be considered after start-up, when the CAISO will have more time to consider software scope enhancements based on the value that such enhancements will provide the market as a whole.¹²⁵

Commission Determination

138. In our January 30, 2009 Order on Tariff Filing in Docket No. ER09-213-000, we agreed with the CAISO's request for deferral of procurement of ancillary services in the HASP from non-dynamic system resources over CAISO interties due to software limitations. Further, we note that the Commission recently granted a temporary waiver of this requirement in Docket No. ER09-572-000. Consistent with those findings, we believe that the CAISO's proposal to delete the requirement to post total HASP Advisory Schedules and Ancillary Services awards by Scheduling Point during this period of time when such procurement is infeasible is reasonable. Directing the CAISO post these amounts (either as zeroes or blanks) could lead to confusion as to whether no procurement has taken place, or whether the MRTU systems have failed to publish

¹²⁴ Powerex Comments at 6-7.

¹²⁵ CAISO Answer at 24-25.

schedules. Modesto's position is that this lack of postings will create operational problems because it leaves market participants without the ability to adjust for congestion. We disagree. The CAISO, not the market participants, is responsible for managing congestion and it has the tools to do so. Modesto has not explained what actions market participants can take to manage congestion based on the posting of information thirty minutes before Real-Time. Additionally, Balancing Authorities have data exchange reliability standards that should protect against operational problems. Nevertheless, consistent with our directive in the January 30 Order for the CAISO to solve this functionality problem within a six to nine month timeframe, we will require the CAISO to reinstitute this posting requirement coincident with the then-effective date associated with the resolution of this functionality problem. The temporary waiver of the requirement that the CAISO post total hour ahead scheduling process advisory schedules and ancillary services awards by scheduling point, granted in Docket No. ER09-572-000, will remain in effect until that time. We also agree with the CAISO that Powerex's concerns regarding use of gross data would require an expansion of MRTU functionality, which is beyond the scope of the CAISO's intended clarification.

139. The Commission therefore accepts the CAISO's posting requirement tariff provisions as proposed effective March 31, 2009. The Commission also notes the CAISO's commitment to consider publishing additional information regarding Total Day-Ahead Schedules for net imports and exports, and directs the CAISO to seek technical enhancements as soon as practicable following initial MRTU implementation.

D. Miscellaneous Issues

1. Scheduling Issues

140. Modesto states that under the MRTU, Existing Transmission Contract schedules submitted in the Day-Ahead Market will have to be resubmitted in the HASP. Modesto states that if Existing Transmission Contract schedules are not resubmitted into HASP, the schedules will lose the characteristics and protections of Existing Transmission Contracts, such as congestion and priority protection. Modesto also understands that the CAISO is committed to fixing this issue within approximately six months after the MRTU implementation and seeks certainty that the CAISO still intends to address the matter.¹²⁶

141. In its Answer, the CAISO states that it agrees that its tariff amendment in these proceedings is not intended to be a substitute for any other tariff or software adjustments. It refers to its MRTU readiness certification filing submitted in Docket No. ER06-615-038 on January 16, 2009, and states it will make any such adjustments as needed and they

¹²⁶ Modesto Protest at 6.

are not expected to affect the CAISO's readiness to implement MRTU on March 31.¹²⁷

142. Further, the CAISO states that it recently issued a notice that reminded participants that if they do not fully participate under the bidding rules there may be settlement consequences. The CAISO states that the market notice provided clarification for Existing Transmission Contract and Transmission Ownership Right Self-Schedules, requiring participants to submit an Existing Transmission Contract or Transmission Ownership Right Self-Schedule in the Real-Time Market for the Day-Ahead Market for Existing Transmission Contract or Transmission Ownership Right Self-Schedule that have cleared, in order to maintain the scheduling priority in the Real-Time market for the cleared Day-Ahead Market schedule and the perfect hedge treatment. The CAISO states the protection with regard to scheduling priority of the Existing Transmission Contract or Transmission Ownership Right Self-Schedule in the Day-Ahead Market is already honored once the schedule is cleared. The CAISO believes may be possible to provide a technical alternative after MRTU implementation, but it cannot commit to the timeline Modesto specifies as it has not yet evaluated potential solutions. The CAISO states that until it finds a software solution that does not require the submission of the self-schedule in the Real-Time, it does not object to the inclusion of this rule in the tariff as this would satisfy Modesto's expressed concern. The CAISO states that it will include this detail on compliance if so ordered by the Commission.¹²⁸

143. In its Answer in Opposition to CAISO's Answer, Modesto contends that, while the CAISO has stated that its January 2009 Filing is not meant to substitute for future changes, the CAISO has not directly addressed Modesto's concern that the CAISO remedy to the problem regarding the resubmission of Existing Transmission Contract/Transmission Ownership Right schedules in the HASP. Modesto notes that the CAISO does not object to the inclusion of this rule in the Tariff, (rather than in the BPMs), and Modesto agrees that this is a "prudent adjustment." Nevertheless, Modesto remains doubtful that the CAISO is committed to fixing this problem since the CAISO has not committed to a timeline or set of milestones to address this issue. Modesto is concerned that the CAISO has not "unequivocally" stated that it will, in fact, "fix" the issue and asks the Commission to direct the CAISO to do so.¹²⁹

Commission Determination

144. The Commission notes the CAISO's commitment to resolving the resubmission of Existing Transmission Contract and Transmission Ownership Right Self-Schedules in the

¹²⁷ CAISO Answer at 26.

¹²⁸ *Id.*

¹²⁹ Modesto March 10, 2009 Motion for Leave to Answer and Answer in Opposition to Answer of the CAISO (Modesto Answer) at 3-4.

Day-Ahead Market in order to maintain their scheduling priority in a timely manner. In the meantime, we will require the CAISO to amend its tariff to include the rule requiring resubmission of Existing Transmission Contract/Transmission Ownership Right Self-Schedules in the HASP in order to maintain scheduling priority. The Commission also notes Modesto's concern that the CAISO has not committed to a firm timeline or set of milestones to manage this issue (as well as its underlying concern that the CAISO might not ever resolve the issue). Based upon its explanation, we will expect the CAISO to resolve the issue by pursuing a software solution that does not require the submission of the self-schedule in the Real-Time Market as soon as practicable, following MRTU implementation.

2. Extended Self-Commitment Intervals

145. SoCal Edison asserts that in the CAISO's proposed clarifications of the equation for extended self-commitment intervals in section 11.8.1.2, a new variable (designated as "t") was introduced but not explained anywhere in the section. SoCal Edison requests that the Commission require the CAISO to define "t."¹³⁰

146. In reply, the CAISO explains the variable "t" was part of the pre-existing tariff language, not a new addition. Nevertheless, the CAISO now clarifies that in section 11.8.1.2 the variable "t" indicates the time interval between the Real-Time Commitment Period and the Integrated Forward Market or Residual Unit Commitment (RUC) Commitment Period as discussed in the section. The CAISO explains that, as described therein, if a resource self-commits at a given hour (designated as the variable "h"), that Self-Commitment Period will be extended to the Commitment Interval $h + \text{Minimum Up Time}$ as a result of the tariff rule that the Real-Time Self-Commitment Period may not be less than the Minimum Up Time when considered jointly with an adjacent IFM Self-Commitment Period. The CAISO states the Commitment Period will be extended by the Commitment Interval "h" plus the Minimum Up Time unless there is a time interval due to an IFM or RUC Commitment Period before then, which is represented by the variable "t."

Commission Determination

147. We are satisfied with the CAISO's explanation and will require the CAISO to modify its tariff to reflect this clarification.

3. Uplift Allocation

148. SoCal Edison states that, with regard to section 11.8.6.4(ii), in the second tier of the allocation of Net IFM Bid Cost Uplift, the valid, balanced, self-scheduled Existing

¹³⁰ SoCal Edison Comments at 3.

Transmission Contracts should be excluded from this uplift charge because such Existing Transmission Contracts do not contribute to this cost. SoCal Edison asserts that the same should be done with regard to section 11.8.6.6, in the allocation of Net Real-Time Market Bid Cost Uplift.¹³¹

149. The CAISO agrees that the specified uplift allocations in sections 11.8.6.4 (ii) and 11.8.6.6 exclude Measured Demand for cleared valid and balanced Transmission Ownership Right Self-Schedules. The CAISO states this is confirmed both by the Charge Codes 6637 for the second tier of the allocation of Net IFM Bid Cost Uplift, and 6678 for the allocation of Net Real-Time Market Bid Cost Uplift, and by section 17.3.3(3) of the Tariff, which states that valid Transmission Ownership Right Self-Schedules are exempt from Minimum Load Costs. However, contrary to SoCal Edison's assertion, the CAISO insists no such exclusion applies to Measured Demand associated with Existing Transmission Contract Self-Schedules. The CAISO states that while it could further clarify in section 11.8.6.4 (ii) and 11.8.6.6 exclude Measured Demand associated with valid and balanced Transmission Ownership Right Self-Schedules, this is already specified in the tariff that the exemptions stated in section 17.3.3, which affects other charges and payments as well. The CAISO explains it has previously decided to include the Transmission Ownership Right exemptions in this specific location as opposed to specifying in each charge type whether or not the Transmission Ownership Right Self-Scheduled demand is exempt.

Commission Determination

150. We are satisfied with the CAISO's explanation and require no further modifications in this regard.

4. Pumps and Participating Load

151. State Water Project states that the CAISO's tariff amendment contains numerous substantive changes to provisions concerning Pumps and Participating Load in sections 11.8.2.1.3, 11.8.2.1.4, 11.8.3.1.2, 11.8.4.1.3, 11.8.4.1.4, 30.5.2.3, and 34.9.2, without any explanation in the transmittal letter. State Water Project requests that approval of the provisions be conditioned on their consistency with actual use of pumps and pump storage facilities and on their potential modification as a result of the outcome of the demand response stakeholder process.¹³²

152. The CAISO answers that there is no need to condition approval of the provisions that State Water Project lists on their consistency with actual use of pumps and pump storage facilities, because the CAISO will not employ the provisions in a way that runs

¹³¹ *Id.*

¹³² State Water Project Protest at 7.

contrary to the actual use of such facilities. The CAISO states it will provide sufficient assurance on this subject in the discussions it will have with State Water Project. Further, the CAISO emphasizes that these are mere clarifying provisions that, although not discussed in the CAISO's transmittal letter, are all addressed in the table provided as Attachment C to the tariff amendment. The CAISO states the changes to sections 11.8.2.1.3, 11.8.2.1.4, 11.8.3.1.2, 11.8.4.1.3, and 11.8.4.1.4 were prompted by the SAIC, which noted that the descriptions in these sections as they pertained to pumps were not sufficient. The CAISO states that it has, for many years now, engaged in numerous discussions with State Water Project to discuss in significant detail the application of the principles already contained in these sections to pumps. The CAISO asserts that these should pose no surprises to State Water Project and are a mere reiteration of the same principles for each of these cost components for generation resources as they apply to pumps. With respect to section 30.5.2.3, the CAISO contends that State Water Project's comments are inappropriate as the changes there were merely changes to ensure consistent use of terminology. The CAISO states that SAIC recommended this clarification to section 34.9.2 as consistent with existing tariff policies, but it can be addressed in ongoing discussions and stakeholder processes that could result in tariff amendments or modifications to the Participating Load Agreement to develop more nuanced treatment of Participating Load and to reflect any modifications that may be applicable as a result of the Demand Response stakeholder process and ensuing tariff amendments.¹³³

153. State Water Project also argues that the CAISO should further modify the definition of the term "Energy Limit" to include Participating Load and Use-Limited Resources, in order to afford non-discriminatory treatment to all resources.¹³⁴

154. The CAISO responds that it is not sure what further changes are envisioned by State Water Project. The CAISO states that changes are already being proposed to the definition for Participating Load for Pumped Storage Hydro Units and other Participating Loads do not have Energy limits associated with them. In addition, the CAISO asserts the term already applies to Use-Limited Resources that are Generating Units and therefore no other specifications are necessary.¹³⁵

Commission Determination

155. We are satisfied with the CAISO's explanations regarding Pumped Storage Hydro Units (as set forth in its Answer and Supplement to Answer discussed *supra*) and will require no further modifications in this regard.

¹³³ CAISO Answer at 28-29.

¹³⁴ State Water Project Protest at 8.

¹³⁵ CAISO Answer at 30.

The Commission orders:

(A) The CAISO's proposed tariff modifications are hereby accepted effective March 31, 2009, the currently anticipated date of MRTU implementation, and October 1, 2009 subject to required modifications and additional filings, as discussed in the body of this order.

(B) The CAISO is hereby directed to submit a compliance filing, within 30 days of the date of issuance of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.