

131 FERC ¶ 61,050
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
and John R. Norris.

California Independent System
Operator Corp.

Docket No. ER08-1113-006

ORDER ON COMPLIANCE

(Issued April 19, 2010)

1. In this order the Commission accepts, subject to modification, the compliance filing submitted by the California Independent System Operator Corporation (CAISO), as directed by the Commission's July 30, 2009 Order on Rehearing and Clarification.¹ The July 30 Rehearing Order directed the CAISO to make certain changes to its tariff provisions concerning the ability of parties to demonstrate that they should be eligible for an adjustment from loss charges under the CAISO Integrated Balancing Authority Area (IBAA) proposal because the loss charges may be duplicative.

I. Background²

2. On June 17, 2008, the CAISO filed its IBAA proposal. The proposal established a single hub for modeling and pricing all imports and exports between the CAISO and the Sacramento Municipal Utility District (SMUD) and Turlock balancing authority areas regardless of the interconnection points that separate the CAISO from the SMUD and Turlock balancing authority areas.

3. As an alternative to the single hub pricing mechanism, the CAISO proposed to provide market participants the option to execute a Market Efficiency

¹ *Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,103 (2009) (July 30 Rehearing Order).

² For a more detailed description of this matter's background, *see Cal. Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,271 (2008).

Enhancement Agreement (MEEA). The CAISO stated that a market participant wishing to execute a MEEA would provide the CAISO with additional information, sufficient to allow verification of the specific location and operation of the external resource that is used to implement interchange transactions in exchange for an alternative pricing and modeling arrangement. The Commission's September 19, 2008 order accepted the IBAA proposal subject to modification and directed the CAISO to make a further compliance filing in response to several concerns.³ On November 25, 2008, the CAISO filed revised tariff sheets, as the Commission directed. On March 6, 2009, the Commission conditionally accepted, subject to modification, the CAISO's revised tariff sheets.⁴

4. In the July 30 Rehearing Order, the Commission addressed certain rehearing requests submitted regarding the Commission's September IBAA Order. On September 28, 2009, the CAISO made a compliance filing in response to the Commission's direction in the July 30 Rehearing Order (September 28 Compliance Filing), and the CAISO filed an errata to the September 28 Compliance Filing on October 1, 2009 (October 1 Errata Filing). On December 17, 2009, the Commission addressed rehearing requests and compliance filings regarding the March 6 MEEA Order and other orders.⁵

II. Notice of Filing and Responsive Pleadings

5. Notice of the September 28 Compliance Filing was published in the *Federal Register*, 74 Fed. Reg. 51,574 (2009), with comments, protests, or interventions due on or before October 19, 2009. Notice of the CAISO's October 1, 2009 Errata Filing was published in the *Federal Register*, 74 Fed. Reg. 52,478 (2009), with comments, protests, or interventions due on or before October 22, 2009. Transmission Agency of Northern California (TANC), the cities of Santa Clara and Palo Alto, SMUD,⁶ Modesto Irrigation District,⁷

³ *Cal. Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,271 (2008) (September IBAA Order).

⁴ *Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,207 (2009) (March 6 MEEA Order).

⁵ *Cal. Indep. Sys. Operator Corp.*, 129 FERC ¶ 61,241 (2009).

⁶ SMUD's comments support the comments filed by TANC and Western. Sacramento Municipal Utility District October 19, 2009 Protest.

Northern California Power Agency (NCPA)⁸ and Western Area Power Administration (Western) timely filed protests and comments.

6. The CAISO filed an answer to the protests and comments on November 3, 2009, and answers to the CAISO's answer were filed on November 18, 2009.

III. Discussion

A. Procedural Matters

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2009), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

8. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2009), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept the CAISO's answer and the answers to the CAISO's answer because they provide information that assisted us in our decision-making process.

B. Compliance Filing

1. Loss Adjustment at the Tracy Scheduling Point

9. Parties contend that the Commission's July 30 Rehearing Order directed the CAISO to allow Western transmission customers the opportunity to obtain a marginal losses adjustment for imports to the CAISO at the Western-CAISO intertie scheduling point that are subject to duplicative charges, even if the import uses non-California-Oregon Transmission Project (COTP) Western transmission service.⁹ Parties claim that the CAISO's compliance filing fails to comply with this direction by limiting losses adjustments only to transactions that are scheduled

⁷ Modesto's comments support the comments filed by TANC. Modesto Irrigation District October 19, 2009 Protest.

⁸ NCPA's comments support the comments filed by Western. Northern California Power Agency October 19, 2009 Comments.

⁹ TANC October 19, 2009 Protest at 6 (TANC Protest) (citing July 30 Rehearing Order at P 89).

at the southern terminus of the COTP at the Tracy substation, which fails to include transactions scheduled at other Western-CAISO intertie scheduling points.¹⁰

10. Parties request that the Commission direct the CAISO to revise its proposed tariff language pertaining to imports to add reference to import schedules at other Western-CAISO scheduling points.¹¹ Western notes that while the Tracy substation may be the intertie scheduling point for schedules on the COTP, it is not accurate for transactions that use Western's non-COTP transmission facilities.¹² Also, TANC requests that any changes to the tariff language concerning loss adjustments for imports be made to tariff provisions concerning exports.¹³

11. The CAISO maintains that the Commission's July 30 Rehearing Order limited the losses adjustment to import schedules at the Tracy intertie scheduling point that use non-COTP Western transmission facilities within the IBAA. Further, the CAISO claims that the July 30 Rehearing Order did not specify that the CAISO should provide the adjustment for losses to any point other than "the Western-CAISO intertie point."¹⁴ Therefore, the CAISO claims it should keep the adjustment for losses limited to the Tracy intertie scheduling point.

12. The CAISO claims that if parties wanted the losses adjustment to apply to all intertie points between Western's transmission facilities and the CAISO, they should have requested rehearing on that issue, and they did not.¹⁵ The CAISO contends that in the previous filings, certain parties' requests for loss adjustment

¹⁰ TANC Protest at 6; City of Santa Clara and City of Palo Alto October 19, 2009 Comments at 6-7 (Santa Clara Comments); Western Area Power Administration October 19, 2009 Comments at 4-5 (Western Comments).

¹¹ TANC Protest at 6.

¹² Western Protest at 5.

¹³ TANC Protest at 7.

¹⁴ CAISO November 3, 2009 Answer at 5 (CAISO Answer).

¹⁵ CAISO Answer at 4.

was limited to the Tracy scheduling point.¹⁶ Therefore, the CAISO claims limiting the eligibility for the adjustment to the Tracy substation is proper.

13. TANC responds that the CAISO's semantics argument is too selective and fails to acknowledge the Commission's description of the issue raised in protests as duplicate losses "at the applicable Western-CAISO intertie scheduling point."¹⁷ TANC argues that use of the term "applicable" constitutes implicit Commission recognition that there is more than one such point.

14. In addition, TANC contends that the Commission did not limit the application of the marginal losses adjustment to the Tracy scheduling point. Rather, according to TANC, the Commission's focus was on the fact that non-COTP Western customers that already pay for losses via the rates under the TANC or Western tariffs should be eligible for an adjustment from the CAISO for the losses charges.¹⁸ TANC contends that documents filed at various times in this proceeding demonstrate that the physical systems between Western and the CAISO are interconnected at points in addition to Tracy, and parties have asserted that loss adjustments are necessary to avoid duplicative loss charges.

15. TANC further contends that the logic of the Commission's rulings with regard to Western imports scheduled at Tracy should apply equally to imports scheduled at other points. Regardless of which intertie scheduling point is utilized, TANC asserts that there will be a payment for losses while using the Western transmission system. Therefore, TANC contends a marginal loss adjustment is necessary to avoid a duplicative payment for losses built into the CAISO's IBAA default price. Similarly, since the IBAA default price for exports also implicates the same duplicative losses payment concerns, exports from the CAISO using Western transmission located within the IBAA should also qualify for a marginal losses adjustment, whether the schedule is at Tracy or at any other applicable Western-CAISO scheduling point.

¹⁶ *Id.*

¹⁷ TANC November 18, 2009 Answer at 5 (TANC Answer) (quoting July 20 Rehearing Order at P 83).

¹⁸ *Id.*

Commission Determination

16. In the July 30 Rehearing Order the Commission directed:

[T]o the extent a party can demonstrate that it already pays Western for transmission losses pursuant to Western's transmission service tariff or applicable agreements for imports to the CAISO at the Western-CAISO intertie scheduling point, even if the import uses non-COTP Western transmission service, it is subject to an adjustment to the marginal loss component of the default LMP under the IBAA system.^[19]

17. The CAISO's proposed tariff language limits eligibility for losses to the Tracy scheduling point because, according to the CAISO, the Commission referred to *the* Western-CAISO intertie scheduling point. However, there is a difference between the "Western-CAISO intertie scheduling point" and the "Tracy intertie scheduling point." Although the CAISO claims they are the same, "Western-CAISO intertie scheduling point" applies to all intertie scheduling points connecting the CAISO and Western systems, while the "Tracy intertie scheduling point" is limited to the location at Tracy. While limited eligibility to the Tracy scheduling point may have made sense when the loss adjustment only applied to COTP transmissions, since the eligibility for loss adjustment is expanded to non-COTP transmission, the broader application to Western-CAISO intertie scheduling points is reasonable. The Commission used "Western-CAISO intertie scheduling point" in its direction in the July 30 Rehearing Order, and the CAISO should comply with that direction.

18. Therefore, the CAISO is directed to provide parties that can demonstrate they already pay for transmission losses, even if such party uses non-COTP Western transmission service at any point that connects the CAISO and the Western system, an adjustment to the marginal loss component of the IBAA default price. Also, such treatment should be applied consistently to imports and exports. The CAISO is directed to submit a compliance filing consistent with this direction within 30 days of the date of this order.

¹⁹ July 30 Rehearing Order at P 89.

2. Non-COTP Exports from the CAISO

19. Parties contend that the September 28 Compliance Filing fails to provide exports to the Western transmission system the ability to avoid duplicative losses.²⁰ Parties claim that the September 28 Compliance Filing allows customers that use Western's transmission system to deliver imports to the CAISO to demonstrate that they face duplicative charges for losses from Western but no such opportunity is provided to Western transmission customers that export from the CAISO using non-COTP Western transmission facilities located within the IBAA.

20. Parties maintain that the July 30 Rehearing Order requires the CAISO to provide Western transmission customers the "same treatment" afforded to COTP transmission customers, but the CAISO fails to provide the same treatment to exports from the CAISO to non-COTP Western transmission facilities.²¹

21. The CAISO responds that although the Commission only directed the CAISO to provide an adjustment to apply the marginal cost of losses for export schedules from the CAISO to the IBAA that use the COTP, if directed by the Commission, it will apply the losses adjustment to exports from the CAISO that use Western's non-COTP facilities within the IBAA. However, the CAISO states that this losses adjustment will only apply to exports from the CAISO at the Tracy scheduling point.

22. In its response to CAISO's answer, TANC submits that the Commission's July 30 Rehearing Order did require such an adjustment, and the Commission should accept the CAISO's invitation and instruct the CAISO to provide a marginal losses adjustment for exports from the CAISO using Western's transmission facilities.²²

²⁰ TANC Protest at 4, Santa Clara Comments at 7-8, Western Comments at 7-8.

²¹ TANC Protest at 5, Santa Clara Comments at 7.

²² TANC Answer at 4. City of Redding supports TANC's position. City of Redding, November 18, 2009 Answer.

Commission Determination

23. The Commission directed the CAISO to provide losses adjustment for parties that can demonstrate they would face duplicative losses charges for exports just as the CASIO would provide for parties facing duplicative losses charges for imports.²³ Although the directions in the July 30 Rehearing Order concerned exports on the COTP, as parties note, the Commission also stated,

Just as it is appropriate for COTP customers that already pay for losses via the rates under TANC or Western tariffs to be eligible for an adjustment for the losses charge for parallel flows that is implicit in [Locational Marginal Pricing], non-COTP Western transmission customers should receive the same treatment[.][²⁴]

24. The CAISO's compliance filing does not provide the same opportunity for non-COTP exports to be eligible for loss adjustments as exports using the COTP. Thus, the Commission directs the CAISO to apply its proposed changes to loss adjustment to exports from the CAISO that use non-COTP facilities within the IBAA. Further, such adjustment should not be limited to exports at the Tracy scheduling point and should be consistent with the above direction regarding intertie scheduling points between the CAISO and the Western system. The CAISO is directed to submit a compliance filing consistent with this direction within 30 days of the date of this order.

3. Tariff Language

a. Transmission Ownership

25. Parties note that language proposed by the CAISO's September 28 Compliance Filing could create some confusion regarding the ownership of certain transmission.²⁵ Parties contend that the proposed addition of the phrase "use the California-Oregon Transmission Project or other transmission facilities owned by the Western Area Power Administration" could be read to imply that Western is

²³ July 30 Rehearing Order at P 81.

²⁴ *Id.* at P 89.

²⁵ TANC Protest at 7-8; Santa Clara Comments at 7; Western Comments at 5-7.

the sole owner of the COTP²⁶ or that TANC will charge for use of Western's transmission system.²⁷

26. The CAISO responds that on further compliance it will remove any ambiguity that TANC may charge for use of non-COTP Western transmission within the IBAA.²⁸

Commission Determination

27. The Commission agrees with the CAISO's proposal to address these ambiguities on compliance and directs the CAISO to propose revisions that clarify that Western is not the sole owner of the COTP and that TANC will not charge for use of the Western transmission system within 30 days of the date of this order.

b. Resource IDs

28. Parties note that the CAISO does not include a reference to the Western transmission system in its proposed provisions concerning qualifying for the use of Resource IDs.²⁹ Such an omission, according to TANC, could preclude non-COTP Western transmission facilities from access to a Resource ID and eligibility for a losses adjustment.³⁰

29. The CAISO responds that on further compliance it will clarify that scheduling coordinators can use a Resource ID to obtain an adjustment for losses for interchange schedules at the Tracy intertie scheduling point to certify use of non-COTP Western transmission facilities within the IBAA.³¹

²⁶ TANC Protest at 7; Western Comments at 7.

²⁷ Western Comments at 5.

²⁸ CAISO Answer at 7.

²⁹ TANC Protest at 9-10; Santa Clara Comments at 6.

³⁰ TANC Protest at 9.

³¹ CAISO Answer at 7-8.

Commission Determination

30. The Commission directs the CAISO on compliance to clarify that Resource IDs can be obtained and used by scheduling coordinators for transactions that are charged for losses for the use of non-COTP Western transmission facilities. Such clarification should also be consistent with the Commission's above direction concerning scheduling points beyond the Tracy scheduling point. The CAISO is directed to submit a compliance filing consistent with this direction within 30 days of the date of this order.

c. Transmission Origination

31. Parties contend that the CAISO's proposed tariff language related to the losses adjustment for exports using the COTP inappropriately states that such exports would originate on the COTP.³² Parties note that although exports from the CAISO on the COTP will utilize the COTP, they will not originate on the COTP. Thus, parties assert the proposed language would create confusion and should be changed.

32. The CAISO responds that it agrees to modify its proposed tariff language to clarify that any adjustment to the marginal cost of losses will apply to exports from the CAISO to the IBAA that originate at the Tracy intertie scheduling point and utilize the COTP or, if directed by the Commission, non-COTP Western facilities within the IBAA.

Commission Determination

33. The Commission directs the CAISO to clarify on compliance that exports from the CAISO to the IBAA that utilize the COTP or non-COTP Western facilities within the IBAA would be eligible for an adjustment to the marginal cost of losses. Such compliance language should be consistent with the Commission's above direction concerning transactions at points between the CAISO and Western systems other than the Tracy intertie scheduling point. The CAISO is directed to submit a compliance filing consistent with this direction within 30 days of the date of this order.

³² TANC Protest at 10; Santa Clara Comments at 5.

The Commission orders:

(A) The September 28 Compliance Filing, as amended by the October 1 Errata Filing, is conditionally accepted, as discussed in the body of this order.

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

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.