

141 FERC ¶ 61,276
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony T. Clark.

California Independent System Operator
Corporation

Docket No. ER13-224-000

ORDER CONDITIONALLY ACCEPTING PROPOSED OPERATING AGREEMENT

(Issued December 31, 2012)

1. On October 30, 2012, the California Independent System Operator Corporation (CAISO) filed a proposed Adjacent Balancing Authority Operating Agreement (proposed ABAOA) between CAISO and the Nevada Power Company (Nevada Power).¹ In addition, CAISO provided a notice of termination of an Interconnected Control Area Operating Agreement (ICAOA) between CAISO and Nevada Power. As discussed below, we conditionally accept the proposed ABAOA and the notice of termination, to become effective on January 3, 2013, as requested. We also require CAISO to make a future compliance filing.

I. Background and Filing

2. CAISO indicates that the purpose of the filing is to revise certain contractual arrangements to reflect the planned transition of the Valley Electric Association, Inc. (Valley Electric) transmission system from Nevada Power's balancing authority area (BAA) to CAISO's BAA. The transition is expected to occur on January 3, 2013.²

¹ CAISO October 30, 2012 Filing (CAISO Filing).

² The Commission has issued several orders related to Valley Electric's transition. *See, e.g., Cal. Indep. Sys. Operator Corp.*, 137 FERC ¶ 61,194 (2011) (Accepting a transition agreement between CAISO and Valley Electric. An amendment to the transition agreement was accepted October 15, 2012 in Docket No. ER12-2623-000 by letter.); *Valley Electric Ass'n, Inc.*, 141 FERC ¶ 61,238 (2012) (accepting Valley Electric's Transmission Owner Tariff and establishing settlement and hearing

(continued...)

3. CAISO explains that Valley Electric's transition from Nevada Power's BAA to CAISO's BAA requires changes to the points of interconnection between CAISO and Nevada Power and the continuation of certain dynamic transfer arrangements from Nevada Power's BAA to CAISO's BAA. CAISO indicates that information regarding interconnected operations and dynamic transfers is currently set forth in the ICAOA between CAISO and Nevada Power. The ICAOA was designed to assist CAISO and Nevada Power in coordinating the operation and maintenance of their interconnected BAAs in a manner consistent with reliability standards adopted by the North American Electric Reliability Corporation (NERC) and the Western Electricity Coordinating Council and with good utility practice. CAISO further states that the parties have taken the opportunity presented by the transition of Valley Electric to comprehensively revise the agreement governing their interconnected operations and dynamic transfer arrangements and have entered into the proposed ABAOA to replace the ICAOA.³

4. CAISO indicates that the proposed ABAOA sets forth the rates, terms, and conditions on which CAISO and Nevada Power operate the interconnection between their BAAs and provide emergency assistance as required by the applicable NERC reliability standards. CAISO explains that the proposed ABAOA addresses a more limited number of matters than were previously addressed in the ICAOA, in deference to the NERC reliability standards, which effectively address much of the subject matter previously included in the ICAOA. In sum, the proposed ABAOA: (1) requires the parties to cooperate to mitigate any operating emergencies, to develop, maintain, implement, and annually review and update emergency plans (and to share and coordinate such plans with the other party), and to assist each other in an operating emergency by delivering emergency assistance to the other party; (2) incorporates the import for regulation and dynamic scheduling provisions previously included in the ICAOA with respect to the parties' responsibilities for these balancing authority services; (3) requires each party to maintain a 24-hour, 7-day control center with real-time scheduling and control functions, and to coordinate its actions with the other party, particularly as directed by the appropriate reliability coordinator(s), to preserve or restore the interconnected

procedures); *Cal. Indep. Sys. Operator Corp.*, 141 FERC ¶ 61,218 (2012) (conditionally accepting a revised balancing agreement between CAISO and Western Area Power Administration – Desert Southwest Region); *Nevada Power Co.*, 141 FERC ¶ 61,254 (accepting an interim balancing authority area services agreement between Nevada Power Company and Valley Electric, subject to refund and hearing and settlement judge procedures).

³ CAISO Filing at 2-3.

transmission system; and (4) identifies the points of interconnection between the parties and defines the boundary between the BAAs.⁴

5. CAISO explains that the ICAOA allows the parties to terminate the agreement upon mutual consent.⁵ Therefore, CAISO requests that the notice of termination of the ICAOA to be effective on January 3, 2013, concurrent with the effective date of the proposed ABAOA. CAISO represents that it will make a compliance filing with the Commission reflecting the actual effective date of the termination of the ICAOA should the transition not occur on January 3, 2013, as expected.⁶

6. On a related matter, CAISO indicates that on October 5, 2012, the National Nuclear Security Administration issued a press release announcing it had awarded Valley Electric the contract to serve its load at the Nevada Test Site effective November 1, 2012. On October 12, 2012, Valley Electric sent a notice to Nevada Power requesting that the Nevada Test Site be included in the transition to CAISO's BAA. CAISO explains that the short notice did not provide CAISO and Nevada Power sufficient time to coordinate the technical and operational considerations regarding the transition of this load to CAISO's BAA prior to this filing. CAISO states that the parties discussed various procedural options and determined it was best not to delay this filing and jeopardize the overall transition. Accordingly, CAISO expects that Nevada Power will be the BAA associated with the Valley Electric load located at the Nevada Test Site until a transition of that load can be accomplished. However, CAISO indicates that CAISO, Valley Electric and Nevada Power are continuing to analyze what modifications will be needed to effectuate moving the Nevada Test Site into the CAISO BAA and will make any required future filings with the Commission based on the results of this analysis.⁷

II. Notice of Filing and Responsive Pleadings

7. Notice of CAISO's filing was published in the *Federal Register*, 77 Fed. Reg. 66,827 (2012), with interventions, comments and protests due on November 20, 2012. The Pacific Gas and Electric Company and the California Department of Water Resources State Water Project filed timely motions to intervene. Valley Electric filed a timely motion to intervene and comments in support. Southern California Edison

⁴ *Id.* at 4.

⁵ CAISO states that it has Nevada Power's consent. CAISO Filing at 5.

⁶ *Id.* at 5.

⁷ *Id.* at 5-6.

Company (SoCal Edison) filed a timely motion to intervene and protest. CAISO and SoCal Edison filed answers.

A. Valley Electric's Comments

8. Valley Electric indicates its support for the proposed ABAOA as a necessary next step for it to transition into CAISO's BAA. Valley Electric states that it remains concerned about the transition of the Nevada Test Site load, which may require the establishment of an additional point of interconnection between CAISO's BAA and Nevada Power's BAA at the Department of Energy's Mercury Switching Station. Valley Electric indicates that at the time of its comments CAISO has informed Valley Electric that the next opportunity to transition the Nevada Test Site load to the CAISO BAA is on February 28, 2013.⁸ Valley Electric indicates that it is working with Nevada Power and CAISO to meet this deadline and notes that the proposed ABAOA will need to be amended to accommodate that expected transition.

B. SoCal Edison's Protest and the Answers of CAISO and SoCal Edison

9. SoCal Edison's protest states that, although SoCal Edison generally supports the proposed ABAOA, it has a concern with Schedule A of the proposed ABAOA, which states that:

[Nevada Power] will have operational and maintenance responsibility for the Eldorado-Merchant No.2 230 kV line from the connection to the A-frame structure in bay position 2 in the 230 kV switchyard of the Eldorado Substation to the Merchant Substation.^[9]

SoCal Edison requests that the Commission direct CAISO to correct this language so that it accurately states that SoCal Edison has a nominal 220 kilovolt (kV) system, not a 230 kV system, and so that it states that SoCal Edison is responsible for all maintenance inside the property line for the Eldorado Substation, irrespective of facility ownership, instead of attributing responsibility to Nevada Power.¹⁰

10. In response, CAISO requests that the Commission reject SoCal Edison's requested change to the proposed ABAOA, as it is unrelated to the purpose of the filing, which is to

⁸ Valley Electric November 20, 2012 Comments at 4-5.

⁹ CAISO Filing, Attachment A at 9.

¹⁰ SoCal Edison November 20, 2012 Protest at 2-3.

transition Valley Electric to the CAISO BAA. Moreover, CAISO asserts that because SoCal Edison, Nevada Power and CAISO have agreed to address SoCal Edison's comments in a subsequent amendment to the proposed ABAOA, the Commission should accept the ABAOA as filed and without change.¹¹ CAISO indicates that the interim configuration of the Merchant substation transition is nearly concluded and the proposed ABAOA will be amended to reflect the final configuration of the Merchant substation transition to the CAISO BAA. CAISO contends that the point of interconnection of concern to SoCal Edison does not relate to Valley Electric's transition. CAISO argues that it is more important that the proposed ABAOA as filed go into effect as of January 3, in order to reflect the planned transition of Valley Electric to the CAISO BAA on that date.

11. CAISO agrees with SoCal Edison that SoCal Edison has maintenance responsibility "inside the fence" of the Eldorado substation, and that the substation facilities constituting this point of interconnection with Nevada Power are nominally rated at 220 kV. CAISO states that neither Nevada Power nor the CAISO dispute these points. CAISO indicates that Nevada Power presently owns the Eldorado-Merchant 230 kV line and certain portions of the interconnection facilities "inside the fence" of the Eldorado substation and rightfully desires to make a clear distinction between their ownership rights and SoCal Edison's maintenance responsibilities.¹² According to CAISO, Nevada Power and CAISO attempted to strike the right balance with respect to this distinction in the proposed ABAOA but did not have the opportunity to fully account for SoCal Edison's concerns.

12. CAISO represents that CAISO, SoCal Edison and Nevada Power now agree that SoCal Edison's comments will be addressed when the proposed ABAOA is amended to account for the final configuration of the Merchant substation's transition to the CAISO BAA, which is anticipated to occur sometime in the first quarter of 2013. At that time, the point of interconnection between CAISO's and Nevada Power's BAA, that is the subject of SoCal Edison's comments, will be replaced by a new point of interconnection at a different location in the Eldorado substation. CAISO indicates that CAISO, Nevada Power, and SoCal Edison have agreed the best approach is to request the Commission accept the ABAOA, as filed and without change, effective January 3, 2013.¹³

¹¹ CAISO November 29, 2012 Answer at 1.

¹² *Id.* at 2.

¹³ *Id.* at 3.

13. SoCal Edison's answer confirms that it supports the approach set out in the CAISO's Answer.¹⁴

III. Discussion

A. Procedural Matters

14. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

15. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2012), prohibits an answer to a protest unless and an answer to an answer otherwise ordered by the decisional authority. We will accept CAISO's and SoCal Edison's answers because they have provided information that assisted us in our decision-making process.

B. Substantive Matters

16. We conditionally accept the proposed ABAOA and notice of termination of the ICAOA, both effective January 3, 2012, as requested, subject to CAISO amending the ABAOA to reflect the final configuration of the Merchant substation.¹⁵ As such, we require CAISO to submit an amended ABAOA within 30 days of the final configuration of the Merchant substation being decided. We find that although the proposed ABAOA is not entirely accurate, the parties have reached an agreement on the process for making it accurate. We believe it is reasonable for the parties to proceed with the process for amending the agreement as proposed by CAISO in order to allow Valley Electric to transition its transmission system and load from Nevada Power's BAA to CAISO's BAA.

The Commission orders:

(A) The proposed ABAOA and notice of termination of the ICAOA are hereby accepted for filing, effective January 3, 2013, conditioned as discussed in the body of this order.

¹⁴ SoCal Edison December 3, 2012 Answer at 2.

¹⁵ The Commission advises the parties to this proceeding that, to the extent that Valley Electric's transition date to the CAISO balancing authority area is other than January 3, 2012, CAISO is directed to make a compliance filing specifying the actual transition date.

(B) CAISO is hereby directed to submit an amended ABAOA within 30 days of the final configuration of the Merchant substation being decided, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.