

156 FERC ¶ 61,011  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Cheryl A. LaFleur, Tony Clark,  
and Colette D. Honorable.

Southern California Edison Company

Docket No. ER10-1355-004

ORDER ACCEPTING UPDATED MARKET POWER ANALYSIS AND  
SIMULTANEOUS TRANSMISSION IMPORT LIMIT VALUES FOR THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION MARKET

(Issued July 5, 2016)

1. In this order, the Commission accepts an updated market power analysis submitted by Southern California Edison Company (SoCal Edison). As discussed below, we find that SoCal Edison continues to satisfy the Commission's standards for market-based rate authority. Additionally, as discussed below, we accept Simultaneous Transmission Import Limit (SIL) values for the December 2013-November 2014 study period for the California Independent System Operator Corporation (CAISO) market.

**I. Background**

2. On December 17, 2015, as amended May 6, 2016, SoCal Edison submitted an updated market power analysis for the Southwest region in accordance with the reporting schedule.<sup>1</sup>

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<sup>1</sup> See *Refinements to Policies and Procedures for Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 816, FERC Stats. & Regs. ¶ 31,374, at P 353 (2015), *order on reh'g*, Order No. 816-A, 155 FERC ¶ 61,188 (2016). See also *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697, FERC Stats. & Regs. ¶ 31,252 at PP 882-893, *clarified*, 121 FERC ¶ 61,260 (2007), *order on reh'g*, Order No. 697-A, FERC Stats. & Regs. ¶ 31,268, *clarified*, 124 FERC ¶ 61,055, *order on reh'g*, Order No. 697-B, FERC Stats. & Regs. ¶ 31,285 (2008), *order on reh'g*, Order No. 697-C, FERC Stats. & Regs. ¶ 31,291 (2009), *order on*

(continued...)

3. SoCal Edison is authorized to sell energy, capacity, and ancillary services at market-based rates.<sup>2</sup> SoCal Edison states that it is an investor-owned public utility. SoCal Edison represents that it owns or controls generation facilities with a total nameplate capacity of approximately 14,034 megawatts (MW) located within the CAISO market, in the Southwest region. SoCal Edison further states that it has turned control over its transmission system to CAISO.

## **II. Notice of Filings**

4. Notice of SoCal Edison's December 23, 2015 and May 6, 2016 filings were published in the *Federal Register*,<sup>3</sup> with interventions and protests due on or before May 27, 2016. Golden State Water Company filed a timely motion to intervene.

## **III. Discussion**

### **A. Procedural Matters**

5. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), Golden State Water Company's timely, unopposed motion to intervene serves to make it a party to this proceeding.

### **B. Substantive Matters**

6. As discussed below, we find that SoCal Edison satisfies the Commission's standards for market-based rate authority. Additionally, as discussed below, we accept SIL values for the CAISO market.

#### **1. Market-Based Rate Authorization**

7. The Commission allows power sales at market-based rates if the seller and its affiliates do not have, or have adequately mitigated, horizontal and vertical market power.<sup>4</sup>

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*reh'g*, Order No. 697-D, FERC Stats. & Regs. ¶ 31,305 (2010), *aff'd sub nom. Mont. Consumer Counsel v. FERC*, 659 F.3d 910 (9th Cir. 2011), *cert. denied*, 133 S. Ct. 26 (2012).

<sup>2</sup> See *Southern California Edison Co.*, Docket No. ER02-2263-000 (Aug. 29, 2002) (delegated letter order).

<sup>3</sup> 80 Fed. Reg. 80,351 (2015); 81 Fed. Reg. 30,292 (2016).

a. **Horizontal Market Power**

8. The Commission has adopted two indicative screens for assessing horizontal market power: the pivotal supplier screen and the wholesale market share screen.<sup>5</sup> The Commission has stated that passage of both screens establishes a rebuttable presumption that the applicant does not possess horizontal market power, while failure of either screen creates a rebuttable presumption that the applicant has horizontal market power.<sup>6</sup>

9. SoCal Edison prepared the pivotal supplier and wholesale market share screens for the CAISO market, consistent with the requirements of Order No. 697.<sup>7</sup> SoCal Edison states that the pivotal supplier screen indicates that SoCal Edison's uncommitted capacity is less than the total net uncommitted supply in the CAISO market. SoCal Edison states that the market share screen indicates that its market shares are between 0 and 9.9 percent.

10. We have reviewed SoCal Edison's pivotal supplier screen and wholesale market share screen and determined that SoCal Edison passes both screens in the CAISO market. Accordingly, we find that SoCal Edison satisfies the Commission's requirements for market-based rates regarding horizontal market power in the Southwest region.

11. We note that SoCal Edison's analysis of the CAISO market relies on maximum import capability values prepared by CAISO,<sup>8</sup> which CAISO submitted to the Commission in Docket No. AD10-02-006 on December 28, 2015.<sup>9</sup> We find that CAISO's maximum import capability methodology is an acceptable alternative to a SIL study. Therefore, we will accept these maximum import capability values as the SIL values for the CAISO market for the December 2013-November 2014 study period. Specifically, the seasonal SIL values for the CAISO market accepted herein are: Winter 10,966 MW; Spring 11,276 MW; Summer 11,276 MW; and Fall 11,276 MW.

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<sup>4</sup> Order No. 697, FERC Stats. & Regs. ¶ 31,252 at PP 62, 399, 408, 440.

<sup>5</sup> *Id.* P 62.

<sup>6</sup> *Id.* PP 33, 62-63.

<sup>7</sup> *Id.* PP 231-232.

<sup>8</sup> *See* SoCal Edison May 6, 2016 Filing at 3.

<sup>9</sup> CAISO, Informational Filing, Docket No. AD10-02-006 (filed Dec. 28, 2015).

12. The Commission will use these Commission-accepted SIL values when reviewing the pending updated market power analyses submitted by transmission owners in the Southwest region as well as any updated market power analyses filed by non-transmission owning sellers in the Southwest region for this study period. Future filers submitting screens for the CAISO market for the December 2013 – November 2014 study period are encouraged to use these Commission-accepted SIL values. In the alternative, a filer may propose different SIL values provided that its accompanying SIL study complies with Commission directives and that the filer fully supports the values used and explains why the Commission should consider a different SIL value for the CAISO market other than the Commission-accepted SIL values approved herein. In the event that the results for one or more of a particular seller's screens differ if the seller-supplied SIL value is used instead of the Commission-accepted SIL value, the order on that particular filing will examine the seller-supplied SIL study and address whether the seller-supplied SIL value is acceptable. However, when the overall results of the screens would be unchanged, i.e., the seller would pass using either set of SIL values or fail using either set of SIL values, the order would be based on the Commission-accepted SIL values and would not address the seller-supplied SIL values.

**b. Vertical Market Power**

13. In cases where a public utility, or any of its affiliates, owns, operates, or controls transmission facilities, the Commission requires that there be a Commission-approved Open Access Transmission Tariff (OATT) on file or that the seller has received waiver of the OATT requirement under 18 C.F.R. § 35.28(d)(1) (2015) or satisfies the requirements for blanket waiver under 18 C.F.R. § 35.28(d)(2).<sup>10</sup>

14. SoCal Edison states that its transmission assets located in CAISO are under the functional control of CAISO, which is a Commission-approved regional transmission organization with an OATT on file with the Commission.<sup>11</sup>

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<sup>10</sup> See *Open Access and Priority Rights on Interconnection Customer's Interconnection Facilities*, Order No. 807, FERC Stats. & Regs. ¶ 31,367, at P 57, *order on reh'g*, Order No. 807-A, 153 FERC ¶ 61,047 (2015) (waiving the OATT requirements of 18 C.F.R. § 35.28, the Open Access Same-Time Information System requirements of Part 37, and the Standards of Conduct requirements of Part 358, under certain conditions, for entities that own interconnection facilities). See also *Oildale Energy, LLC*, 153 FERC ¶ 61,013, at P 14 (2015).

<sup>11</sup> CAISO, FERC FPA Electric Tariff, CAISO eTariff.

15. The Commission also considers a seller's ability to erect other barriers to entry as part of the vertical market power analysis.<sup>12</sup> The Commission requires a seller to provide a description of its ownership or control of, or affiliation with an entity that owns or controls, intrastate natural gas transportation, storage or distribution facilities; sites for generation capacity development; and physical coal supply sources and ownership of or control over who may access transportation of coal supplies (collectively, inputs to electric power production).<sup>13</sup> The Commission also requires sellers to make an affirmative statement that they have not erected barriers to entry into the relevant market and will not erect barriers to entry into the relevant market.<sup>14</sup> The Commission adopted a rebuttable presumption that the ownership or control of, or affiliation with any entity that owns or controls, inputs to electric power production does not allow a seller to raise entry barriers but will allow intervenors to demonstrate otherwise.<sup>15</sup>

16. Regarding other barriers to entry, SoCal Edison states that neither SoCal Edison nor its affiliates own or control intrastate natural gas transportation, storage or distribution facilities, physical coal supply sources or control over who may access transportation of coal supplies. SoCal Edison also states that neither it nor its affiliates own or control sites for new generation capacity development.<sup>16</sup>

17. Finally, consistent with Order No. 697, SoCal Edison states that it and its affiliates have not erected barriers to entry in any market and will not erect barriers to entry in any market.

18. Based on SoCal Edison's representations, we find that SoCal Edison satisfies the Commission's requirements for market-based rates regarding vertical market power.

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<sup>12</sup> Order No. 697, FERC Stats. & Regs. ¶ 31,252 at P 440.

<sup>13</sup> Order No. 697-A, FERC Stats. & Regs. ¶ 31,268 at P 176. We note that the Commission no longer requires market-based rate sellers to provide information on sites for generation capacity development in market-based rate applications and triennial updated market power analyses. *See* Order No. 816, FERC Stats. & Regs. ¶ 31,374 at P 18.

<sup>14</sup> Order No. 697, FERC Stats. & Regs. ¶ 31,252 at P 447.

<sup>15</sup> *Id.* P 446.

<sup>16</sup> SoCal Edison December 17, 2015 Filing at 6.

## 2. Reporting Requirements

19. An entity with market-based rate authorization must file an Electric Quarterly Report (EQR) with the Commission, consistent with Order Nos. 2001<sup>17</sup> and 768,<sup>18</sup> to fulfill its responsibility under FPA section 205(c)<sup>19</sup> to have rates on file in a convenient form and place.<sup>20</sup> SoCal Edison must file EQRs electronically with the Commission consistent with the procedures set forth in Order No. 770.<sup>21</sup> Failure to timely and accurately file an EQR is a violation of the Commission's regulations for which SoCal Edison may be subject to refund, civil penalties, and/or revocation of market-based rate authority.<sup>22</sup>

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<sup>17</sup> *Revised Public Utility Filing Requirements*, Order No. 2001, FERC Stats. & Regs. ¶ 31,127, *reh'g denied*, Order No. 2001-A, 100 FERC ¶ 61,074, *reh'g denied*, Order No. 2001-B, 100 FERC ¶ 61,342, *order directing filing*, Order No. 2001-C, 101 FERC ¶ 61,314 (2002), *order directing filing*, Order No. 2001-D, 102 FERC ¶ 61,334, *order refining filing requirements*, Order No. 2001-E, 105 FERC ¶ 61,352 (2003), *order on clarification*, Order No. 2001-F, 106 FERC ¶ 61,060 (2004), *order revising filing requirements*, Order No. 2001-G, 120 FERC ¶ 61,270, *order on reh'g and clarification*, Order No. 2001-H, 121 FERC ¶ 61,289 (2007), *order revising filing requirements*, Order No. 2001-I, FERC Stats. & Regs. ¶ 31,282 (2008).

<sup>18</sup> *Electricity Mkt. Transparency Provisions of Section 220 of the Federal Power Act*, Order No. 768, FERC Stats. & Regs. ¶ 31,336 (2012), *order on reh'g*, Order No. 768-A, 143 FERC ¶ 61,054 (2013).

<sup>19</sup> 16 U.S.C. § 824d(c) (2012).

<sup>20</sup> *See Revisions to Electric Quarterly Report Filing Process*, Order No. 770, FERC Stats. & Regs. ¶ 31,338, at P 3 (2012) (citing Order No. 2001, FERC Stats. & Regs. ¶ 31,127 at P 31).

<sup>21</sup> Order No. 770, FERC Stats. & Regs. ¶ 31,338.

<sup>22</sup> The exact filing dates for these reports are prescribed in 18 C.F.R. § 35.10b (2015). Forfeiture of market-based rate authority may require a new application for market-based rate authority if the applicant wishes to resume making sales at market-based rates.

20. SoCal Edison must timely report to the Commission any change in status that would reflect a departure from the characteristics the Commission relied upon in granting market-based rate authority.<sup>23</sup>

21. Additionally, SoCal Edison must file updated market power analyses for all regions in which it is designated as a Category 2 seller in compliance with the regional reporting schedule. The Commission also reserves the right to require such an analysis at any intervening time.<sup>24</sup>

The Commission orders:

(A) SoCal Edison's updated market power analysis is hereby accepted for filing, as discussed in the body of this order.

(B) The specific SIL values identified in this order are hereby accepted for purposes of analyzing market power analyses for the Southwest region, as discussed in the body of this order.

(C) SoCal Edison is hereby directed to file updated market power analyses according to the regional reporting schedule adopted in Order No. 697, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

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<sup>23</sup> *Reporting Requirement for Changes in Status for Public Utilities with Market-Based Rate Authority*, Order No. 652, FERC Stats. & Regs. ¶ 31,175, *order on reh'g*, 111 FERC ¶ 61,413 (2005); 18 C.F.R. § 35.42 (2015).

<sup>24</sup> Order No. 697, FERC Stats. & Regs. ¶ 31,252 at P 853.