155 FERC ¶ 61,141
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

November 22, 2016

In Reply Refer To:
Nevada Power Company
Docket No. ER16-2678-000

Nevada Power Company
6226 W. Sahara Ave.
Las Vegas, NV 89146
Attn: Lauren Rosenblatt, Esq.

Dear Ms. Rosenblatt

1. On September 28, 2016 (September 28 Filing), pursuant to section 205 of the Federal Power Act (FPA),[1] Nevada Power Company and Sierra Pacific Power Company (collectively, NV Energy) filed revisions to its combined Open Access Transmission Tariff (OATT) to conform to the tariff amendments accepted by the Commission[2] to implement a new Flexible Ramping Product in California Independent System Operator Corporation's (CAISO) real-time market, including the Energy Imbalance Market (EIM). Specifically, NV Energy proposes to (1) update section 8.5.6 of Attachment P to reflect CAISO's change from the current Flexible Ramping Constraint to the new Flexible Ramping Product and to specify NV Energy's proposed allocations for identified types of Flexible Ramping Product charges and payments; [3] and (2) make administrative changes to its tariff to be consistent with the definitions accepted in the Commission's September 26 Order.[4] As discussed below, we accept the proposed tariff revisions, effective November 1, 2016.

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[1] 16 U.S.C. § 824d (2012).

[2] *Cal. Indep. Sys. Operator Corp.*, 156 FERC ¶ 61,226 (2016) (September 26 Order).

[3] September 28 Filing at 4.

[4] *Id*. at 7-8.

2. CAISO developed the Flexible Ramping Product to manage the ramping capability necessary for meeting changes in net demand. The Flexible Ramping Product will procure and compensate resources for providing ramping capability for both the forecasted movement of net load and uncertainty in the forecasted net load.[5] The Commission accepted CAISO's filing, effective October 1, 2016.[6] CAISO subsequently filed a request to delay the effective date of the Flexible Ramping Product tariff revisions until November 1, 2016,[7] which the Commission granted on October 20, 2016.[8]

3. In the instant filing, NV Energy proposes to update section 8.5.6 to reflect CAISO's change from the Flexible Ramping Constraint to the Flexible Ramping Product, and to insert the correct cross-references governing allocation of payments and charges for this new Flexible Ramping Product.[9] NV Energy also proposes to revise section 8.5.6 to reflect its proposed methods for allocating various Flexible Ramping Constraint Product charges and payments.

4. Specifically, NV Energy proposes (1) to allocate charges and payments for the Flexible Ramping Forecasted Movement[10] for load on the basis of Metered Demand,[11] and (2) to allocate charges and payments for the Flexible Ramping Forecasted Movement for generating and intertie resources, as well as the Daily and Monthly Flexible Ramping

[5] *Id.*; *see* CAISO, Motion for Leave to Answer to Comment and Protest, Docket No. ER16-2023-000 at 3 (filed Aug. 1, 2016).

[6] September 26 Order, 156 FERC ¶ 61,226 at PP 1, 36.

[7] *Cal. Indep. Sys. Operator Corp.*, Petition for Limited Waiver to Modify Effective Date, Docket No. ER16-2023-000 (filed Sept. 28, 2016).

[8] *Cal. Indep. Sys. Operator Corp.*, 157 FERC ¶ 61,048, at P 5 (2016).

[9] September 28 Filing at 4-5.

[10] NV Energy proposes to define Flexible Ramping Forecasted Movement as "[a] resource's change in forecasted output between market intervals for purposes of the Flexible Ramping Product." NV Energy, Proposed OATT § 1.17A1.

[11] NV Energy defines Metered Demand as "[m]etered load volumes, including losses pursuant to Schedule 10, in NV Energy's BAA." NV Energy, OATT § 1.25E.

Uncertainty Awards (both in the upward and downward directions),[12] on the basis of Measured Demand.

5. With regard to its proposed allocation of the Flexible Ramping Forecasted Movement for load, NV Energy states that Metered Demand is the same allocator used by CAISO for this charge code and reflects CAISO's distribution of the Flexible Ramping Forecasted Movement settlement amount to scheduling coordinators with metered EIM demand or metered CAISO demand in proportion to its share of the total EIM metered demand and total CAISO metered demand.[13]

6. NV Energy explains that its proposal to allocate charges and payments for the Flexible Ramping Forecasted Movement for generating and intertie resources, and for the Daily and Monthly Flexible Ramping Uncertainty Awards, on the basis of Measured Demand[14] differs from CAISO's allocation for these charge codes. However, NV Energy contends that while it recognizes that CAISO has chosen to directly assign these costs and payments to load, supply, and interties, at this time there is no basis to determine a similar approach would be cost-effective for NV Energy or other EIM Entities.[15] NV Energy further asserts that the Commission has found that the Measured Demand allocator "presents a simplified alternative to allocating these charges to those that benefit from the additional reliability that the flexible ramping constraint provides to the

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[12] NV Energy proposes to define Flexible Ramping Uncertainty Award as "[a] resource's award for meeting a Flexible Ramping Uncertainty Requirement under the Flexible Ramping Product." NV Energy, Proposed OATT § 1.17A2. A Flexible Ramping Uncertainty Requirement is "[f]lexible ramping capability to meet the Flexible Ramping Product requirements established by [CAISO]." *Id*. § 1.17A3.

[13] September 28 Filing at 5.

[14] *Id*. NV Energy defines Measured Demand to include: "(1) metered load volumes, including losses pursuant to Schedule 10, in NV Energy's BAA, plus (2) e-Tagged export volumes from the NV Energy BAA, including losses pursuant to Schedule 10 (excluding Dynamic Schedules that support EIM Transfers)." NV Energy, OATT § 1.25D.

[15] September 28 Filing at 5 (citing *Am. Elec. Power Serv. Corp.*, 116 FERC ¶ 61,179, at P 25 (2006); *City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984), *cert. denied*, 469 U.S. 917 (1984) (stating that FERC has interpreted its authority to review rates as "limited to an inquiry into whether the rates proposed by a utility are reasonable -- and not to extend to determining whether a proposed rate schedule is more or less reasonable than alternative rate designs")).

system."[16] According to NV Energy, the same reasoning should apply to the sub-allocation of the Flexible Ramping Product to NV Energy's transmission customers.

7. In support of its allocation proposal, NV Energy also references an analysis performed by PacifiCorp comparing the current Measured Demand allocation with the approach used by CAISO for the existing Flexible Ramping Constraint, which allocates 75 percent of the costs to load and 25 percent to generation. Based on this analysis, PacifiCorp concluded that CAISO's Flexible Ramping Constraint allocation calculation would result in a relatively minor financial impact both to PacifiCorp and its third-party transmission customers that does not justify the administrative burden required to implement such a change.[17]

8. NV Energy asserts that the same factors that weighed against using CAISO's allocation method for the existing Flexible Ramping Constraint would apply to any sub-allocation of the Flexible Ramping Product costs for a number of reasons. First, NV Energy argues that it is highly questionable that adopting CAISO's direct assignment method would have a material effect. NV Energy notes that PacifiCorp's previous study found that the significant time and cost of assigning a portion of flexible ramping costs directly to generation did not result in a significant reallocation of costs among transmission customers. Second, the data provided by CAISO at the EIM Entity level would need to be disaggregated into individual customer bills, and NV Energy argues that this is a tremendous amount of data to disaggregate and could increase the likelihood of errors leading to prolonged disputes.[18] Third, NV Energy contends that until there is a better understanding and history of the contributors to CAISO's Flexible Ramping Product procurement, a Measured Demand allocator is a just and reasonable method for assigning charges and payments for a necessary reliability service.[19] In sum, NV Energy

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[16] *Id*. (quoting *Puget Sound Energy, Inc.*, 155 FERC ¶ 61,111, at P 112 (2016)).

[17] *Id*. at 6; *see* PacifiCorp, Letter Regarding Energy Imbalance Market, Docket No. ER14-1578-000, at 2 (filed Feb. 1, 2016) (PacifiCorp Flexible Ramping Constraint Report).

[18] September 28 Filing at 6-7. NV Energy notes that the CAISO's new Flexible Ramping Product charge codes only settle the ramping charges and credits to the each tie resource level but not to the individual e-Tag. Therefore, NV Energy asserts, the direct assignment method is not feasible when assigning the charges or credits to intertie customers. NV Energy states that in order to be able assign each single e-Tag to each corresponding customer, advanced programming and configuration would be required by the EIM Entity. *Id.* at 5.

[19] *Id.* at 7 (quoting CAISO Flexible Ramping Product Filing at 25).

states that it has no current basis to conclude that the significant effort required to directly assign Flexible Ramping Product costs is warranted and that the added administrative expense may outweigh any customer benefit.[20]

9. In addition to its changes to section 8.5.6 NV Energy proposes administrative changes to section 1 of its OATT to be consistent with the definitions proposed by CAISO and accepted in the Commission's September 26 Order. NV Energy also notes that it envisions making additions to its EIM Business Practice to reflect the specific charge code information associated with the Flexible Ramping Product.

10. NV Energy requests waiver of the Commission's prior notice requirements set forth in section 35.3(a)(1) of the Commission's regulations, 18 C.F.R. § 35.3(a)(1) (2016), to permit an effective date of November 1, 2016 for the revised OATT provisions.

11. Notice of NV Energy's September 28 Filing was published in the *Federal Register*, 81 Fed. Reg. 68,409 (2016), with interventions and protests due on or before October 19, 2016. None was filed.

12. We find that NV Energy's proposed revisions are just and reasonable and not unduly discriminatory or preferential. NV Energy's proposed OATT revisions will effectively implement CAISO's Flexible Ramping Product, as accepted by the Commission. As the Commission found in the September 26 Order, the Flexible Ramping Product will enhance CAISO's ability to manage ramping capability to address changes in system conditions by extending CAISO's ability to procure ramping capability in both the upward and downward directions and to account for forecasted net load movement and forecast uncertainty in all processes of the real-time market.[21] We recognize the significant administrative burden and associated costs that would be required in order for NV Energy to adopt an allocation methodology similar to CAISO's, as described by NV Energy in the September 28 Filing. We find that NV Energy has adequately supported its proposed allocation methodology, which will allocate charges to those who benefit from the reliability that the Flexible Ramping Product will provide to the system. Accordingly, we accept NV Energy's proposed tariff revisions for filing, effective November 1, 2016, as requested.[22]

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[20] *Id.*

[21] September 26 Order, 156 FERC ¶ 61,226 at P 36.

[22] *Cal. Indep. Sys. Operator Corp.*, 157 FERC ¶ 61,048 at P 5. *See* CAISO, *Market Notice: FRP and RSI/CMP/CCE2 Deployed and Activated* (Nov. 1, 2016),

(continued ...)

13. Finally, because the Flexible Ramping Product is replacing the Flexible Ramping Constraint, we will remove NV Energy's existing obligation to report to the Commission within 15 months of its entry into the EIM on its method of allocating Flexible Ramping Constraint charges.[23]

By direction of the Commission.

Kimberly D. Bose,
Secretary.

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https://www.caiso.com/Documents/FRP-RSI_CPM_CCE2Deployed-Activated.html (confirming CAISO activation of the Flexible Ramping Product on November 1, 2016).

[23] *See Nevada Power Co.*, 151 FERC ¶ 61,131, at P 213 (2015) (directing NV Energy to submit an informational report addressing, among other things, whether continuing to allocate Flexible Ramping Constraint charges on the basis of Measured Demand is appropriate).