

Comments on Subscriber Participating Transmission Owner Market Scheduling Option - Draft Final Proposal

Department of Market Monitoring

April 4, 2025

Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Subscriber Participating Transmission Owner (S-PTO) Market Scheduling Option Draft Final Proposal*.¹ In the draft final proposal, the ISO responds to stakeholder questions and provides more clarity on non-subscriber usage, the ETC to CRR Option conversion process, and outlines additional actions that may need to be considered in the future after policy implementation.

DMM supports the ISO's general efforts to refine the S-PTO model as an approach to incentivize new transmission construction, and deliver generation to help satisfy municipal, state, or federal energy policy requirements or directives outside of the scope of the transmission planning process.

The S-PTO model allows for non-subscriber use of transmission developed under this model in exchange for a non-subscriber usage rate (NSUR). DMM understands many stakeholders are concerned with how the NSUR costs associated with the S-PTO model will affect California ratepayers, and whether gaming opportunities exist.

DMM acknowledges the concerns raised by stakeholders, and supports the ISO's proposal to monitor non-subscriber usage on the SunZia transmission line after it is operational, and determine if a new policy initiative to re-examine the NSUR is necessary. DMM also intends to monitor for potential gaming activity on subscriber intertie scheduling points.

Comments

The NSUR may have implications for the optimization of non-subscriber imports

Some stakeholders have expressed concern that the exclusion of the NSUR from the market optimization when dispatching non-subscriber import bids may cause inefficient dispatch. The NSUR represents an additional transmission cost to load associated with the delivery of a non-subscriber import. If this additional cost of transmission from non-subscriber imports at subscriber intertie scheduling points is paid after the fact and not considered in dispatch decisions, these imports may appear cheaper to the optimization compared to other imports or internal CAISO resources that may have higher energy costs, but for which CAISO load does not incur any additional transmission charges beyond the transmission access charge (TAC). If the cost of the cleared non-subscriber import combined with the NSUR exceeds

¹ *Subscriber Participating TO Market Scheduling Option Draft Final Proposal*, March 14, 2025: <https://stakeholdercenter.caiso.com/InitiativeDocuments/DraftFinalProposal-Subscriber-PTO-Market-Scheduling-Option-Mar-13-2025.pdf>

that of a higher cost resource not subject to NSUR, the total cost to load may be higher than if the NSUR cost were included in the optimization.

DMM understands some stakeholders have suggested including the NSUR in non-subscriber import bids as a solution to this issue. Including the NSUR in non-subscriber import bids may improve the merit order of supply bids, however this approach would have price formation consequences since the NSUR would then be reflected in LMP. This may be inefficient from a price formation perspective as this is not a marginal cost of the importing resource. Further, this approach may also cause load to incur the NSUR twice since it is incorporated into the LMP, in addition to the monthly NSUR payment.

DMM agrees with the ISO that the manner in which any adder is implemented (i.e. by the CAISO or market participants) and the impact it may have on price formation needs to be carefully deliberated before implemented.

DMM intends to monitor for potential gaming at S-PTO interties

DMM has had conversations with stakeholders about concerns with potential gaming scenarios involving wheeling transactions on S-PTO scheduling points to increase NSUR charges. DMM greatly appreciates these concerns, and continues to assess the potential incentives and ability to engage in such behavior. DMM intends to closely monitor wheel transactions at S-PTO scheduling points for any potential gaming activity.