

II. SUMMARY

In this tariff filing, the CAISO proposes several tariff changes in advance of summer 2021.² These changes revise load, export, and wheeling through priorities in the market optimization processes, and establish related market rules including:

- Two changes to the scheduling priorities for self-scheduled exports in the real-time market optimization;
- Several new rules and requirements regarding the capacity that can support high-priority non-recallable exports;
- Rules to facilitate the allocation of derated resource capacity when only a portion of a resource's capacity is RA Capacity; and
- Interim changes to address wheeling through self-schedule priorities, as well as processes to allocate constrained transmission capacity among wheeling through transactions and imports to serve CAISO load.

DMM supports the proposed tariff revisions as incremental improvements that should enhance the reliability of the CAISO BAA for summer 2021, while better aligning the CAISO market rules and practices with those of other BAAs, ISOs, and RTOs. We provide additional details below.

² *Tariff Amendment to Implement Market Enhancements for Summer 2021 – Load, Export, and Wheeling Priorities*, California Independent System Operator Corporation, Docket No. ER21-1790-000. ("Transmittal Letter").

III. COMMENTS

Scheduling priority and rule changes for exports

The CAISO proposes two changes in the scheduling priorities of self-scheduled exports in the real-time market. First, CAISO proposes that low-priority, recallable exports that are scheduled in the day-ahead market and not supported by non-resource adequacy (non-RA) capacity will have lower real-time scheduling priority than CAISO load. Second, the CAISO proposes that low-priority exports that are scheduled in the day-ahead market, deemed feasible in the residual unit commitment (RUC) process, and self-scheduled in to real-time will have higher scheduling priority than new low-priority recallable exports that are first bid into the real-time market.³ DMM supports both of the proposed scheduling priority and rule changes for low-priority recallable exports.

Current CAISO rules allow any export that clears the day-ahead market and that is deemed feasible in the RUC process to have higher real-time scheduling priority than CAISO load. When conditions change between the day-ahead and real-time markets, this can result in CAISO RA capacity that may be needed to support CAISO load instead supporting low-priority exports out of the CAISO BAA. DMM views this outcome as inconsistent with the intent of RA as capacity to support CAISO load when needed. This is also inconsistent with DMM's understanding of the authority that other balancing areas in the west have to recall exports sourced by generation in their balancing area if the capacity has not been forward contracted to serve another balancing area and if the capacity is needed to serve the source balancing area's native load. Therefore, DMM supports the CAISO's

³ Transmittal letter, pg 4.

proposed rule change to prioritize CAISO load over all low-priority recallable exports, without regard to the market in which the export is first scheduled.

DMM also supports CAISO's proposed rule change to prioritize real-time self-scheduled low-priority exports first scheduled in the day-ahead and deemed feasible in RUC, over those first submitted in the real-time market. As noted in the transmittal letter of CAISO's filing of the proposed tariff language ("transmittal letter"), this prioritization is likely to incentivize day-ahead scheduling of low-priority export transactions, decreasing the level of uncertainty between day-ahead and real-time market conditions.⁴

Rule changes applicable to high-priority exports

CAISO also proposes tariff revisions applicable to high-priority exports supported by capacity contracted exclusively to an outside entity. These revisions establish criteria that must be satisfied in order for a high-priority export to receive scheduling priority equal to CAISO load. DMM generally supports the ISO's proposed approach. Specifically, DMM supports the requirements that, for an export to have high-priority scheduling priority, the export must be supported by non-RA capacity that is physically available, has submitted bids in real-time, and has been forward contracted by an entity outside of CAISO. The specific criteria to satisfy these requirements outlined in the transmittal letter should help to ensure that only non-RA capacity contracted exclusively to an outside entity, that is physically available in real-time, and available to the CAISO day-ahead and real-time market, can be used to support high-priority exports.⁵ In addition to ensuring that CAISO RA capacity cannot be designated to support high-priority exports, satisfying these criteria

⁴ Transmittal letter, pp. 33-34.

⁵ Ibid, p. 5.

should eliminate the possibility of an export receiving high-priority status in real-time simply because the export cleared first in the day-ahead integrated forward market (IFM) and RUC processes.

DMM views CAISO's proposed tariff revisions to prioritize high-priority exports equal to CAISO load as analogous to the OATTs of other BAAs, to the extent that other WECC BAAs maintain any right in their OATT to curtail transactions of transmission customers to maintain stability and reliability of their transmission systems.

Tariff revisions to facilitate high-priority recallable exports from partial resource adequacy resources

CAISO proposes tariff revisions to clarify the allocation of generation derate quantities among RA capacity, and more granular categories of non-RA capacity, where multiple capacity categories exist on the same resource. These changes are proposed to facilitate the ability of partial RA resources to consider all capacity commitments when derated, and continue to support some quantity of high-priority exports from their non-RA capacity when derated by clarifying the amount of capacity available to support these exports. Market participants may wish to provide equal consideration to the multiple capacity obligations of a resource, and seek to apply the allocation of derated capacity proportionately.

DMM does not oppose the proposed revisions to clarify allocation rules for derates of capacity across partial RA resources. These revisions appear to allow a market participant to grant consideration to multiple capacity obligations of a resource during periods of derate by allowing derates to be allocated among CAISO RA capacity and different uses of non-RA capacity. The revisions also provide important clarity on the amount of non-RA capacity from a derated partial RA resource that may be used to support high-priority exports. Finally,

the revisions help to clarify substitute RA capacity requirements resulting from a derate of a partial RA resource. These changes allow the generating resource to continue to support some quantity of high-priority export to meet obligations to a non-CAISO LSE, while capacity replacement requirements and potential penalties work to ensure balanced consideration of the resource's CAISO RA obligation.

Proposed scheduling priorities for wheeling through self-schedules

DMM supports CAISO's proposed tariff revisions to establish interim scheduling priorities for wheeling through self-schedules until CAISO develops a robust process to identify any excess transmission capacity for wheeling through transactions and to allow entities to procure firm transmission services through the CAISO BAA. While DMM supports CAISO's proposed interim tariff revisions relating to prioritization of wheeling through self-schedules, DMM recommends that CAISO work with stakeholders to develop this type of process as quickly as practicable.

As noted in the transmittal letter, current CAISO operating practices allow wheeling through transactions to achieve higher scheduling priority than CAISO load in the market optimization.⁶ This results from the sum of market optimization penalty parameters on the import and export portions of a wheeling through transaction exceeding the value of the market optimization penalty parameter used for CAISO load. The current prioritization of transmission access for wheeling through transactions over CAISO native load is inconsistent with practices of other BAAs and other ISO/RTO markets, and may compromise the reliability of the CAISO BAA under tight system conditions.

⁶ Transmittal letter, p. 7.

The CAISO's standard LMP market design doesn't include the concept of transmission reservation priority that exists in other western BAAs without organized LMP markets. One implication of this is that the CAISO market design does not offer CAISO load serving entities the ability to obtain network or similarly reserved high priority transmission service to meet the needs of CAISO native load. Nor does the CAISO market design allow any other entity contracted to serve load (including those that may wheel through CAISO to serve load in another BAA) to obtain network or similar quality high priority transmission.

CAISO is proposing interim tariff revisions for summer 2021 to better align CAISO's practices for providing transmission access to wheeling through transactions with those of other BAAs in the west. CAISO's proposed tariff revisions provide an open access transmission framework for wheeling through transactions, while ensuring that wheeling through transactions cannot completely displace supply needed to serve CAISO load on interties or across major internal transmission paths under extreme system conditions.

DMM supports the CAISO's position that the proposed revisions are consistent with open access principles. DMM also notes that the proposed revisions result in an interim framework that is still more favorable to wheeling through transactions than the practices of transmission providers in other BAAs.

CAISO proposed tariff revisions for wheeling through self-schedule priorities are consistent with open access principles, Commission precedent, and the Commission approved practices of other ISO/RTO markets

CAISO highlights in the transmittal letter that the Commission's open access policies allow for the prioritization of intertie and internal transmission capacity to ensure reliable service to native load. CAISO supports this assertion in the transmittal letter with references

and citations to a substantial body of Commission orders and precedent.⁷ Additionally, CAISO notes in the transmittal letter that, consistent with Commission open access policies and precedent, the tariffs of other ISOs and RTOs contain various tariff provisions to reserve transmission capacity necessary to ensure reliability to their native load.⁸

Although Commission open access rules, precedent, and the tariffs of other ISOs and RTOs provide for the ability to reserve transmission capacity necessary to reliably meet native load, the CAISO tariff does not have these provisions. The proposed interim tariff revisions for wheeling through transactions do not appear to go as far as reserving any portion of transmission for CAISO native load. Rather, the proposed tariff revisions represent a moderate approach to prioritize the needs of native CAISO load under the tightest supply conditions that may otherwise lead to load curtailment, while continuing to allow high priority transmission access for select wheeling through transactions on which load serving entities in other BAAs may rely. Access to the CAISO transmission grid would remain open to any supplier or wheeling through entity submitting an economic bid or self-schedule. Curtailment would occur on a pro-rata basis among import transactions to serve CAISO load and high priority wheeling through transactions only when there is insufficient capacity available to meet all firm uses. This curtailment process appears similar to those employed for firm transmission customers by other transmission providers.⁹

DMM supports the CAISO's position that the proposed revisions are consistent with Commission open access principles. Some CAISO stakeholders have argued that the

⁷ Transmittal letter, pp. 49-53.

⁸ Ibid, pp. 53-55.

⁹ DMM understands that other BAAs limit sales of firm transmission based on ATC after accounting for existing firm uses. Therefore, curtailment would not be expected due to overscheduling of firm users under normal conditions, but could occur due to equipment derates, etc.

proposal reflected in the tariff revisions violates open access principles because it is non-specific on transmission and generation requirements for import transactions that may be prioritized when needed to meet CAISO load. These stakeholders have argued that imports serving CAISO load that do not have firm transmission, and are not supported by forward contracted generation sources, should not have priority over high priority wheeling thorough transactions. However, the tariff revisions address issues of transmission access, and the ability of CAISO load and other users to access CAISO transmission using any supply. The issue of potentially restricting specific types of supply that can access CAISO transmission within prioritized uses is a separate question. As discussed in the transmittal letter, there is significant precedent for making transmission available to meet the needs of native load. Such precedent does not appear conditional on the type of supply used to meet those needs.

CAISO proposes to require specific criteria to be met in order for a self-scheduled wheeling through transaction to receive high scheduling priority, equal to CAISO load. As outlined in the transmittal letter, these criteria include a requirement of firm transmission to the CAISO border, and a contract to provide capacity to a non-CAISO load serving entity for at least one month.¹⁰ The CAISO has confirmed throughout the stakeholder process, and again in the transmittal letter, that the purpose of these requirements is only to serve as a proxy to identify wheel through transactions on which load serving entities outside of CAISO are relying to meet resource sufficiency needs.

¹⁰ Transmittal letter, p. 60.

As noted above, CAISO does not have a process to determine excess transmission capacity that could be made available for firm use, nor does CAISO have established transmission service reservation priorities like those used by other BAAs. Such processes could not realistically be developed and implemented by summer 2021. Therefore, because the CAISO proposes to provide high priority transmission access to select high priority wheeling through transactions, a proxy is necessary to estimate which entities are those who would most likely procure firm service for wheeling through transactions if such a process were available.

CAISO proposed tariff revisions for wheeling through priorities establish interim rules that remain more favorable than the practices of transmission providers in other BAAs

DMM's understanding is that transmission providers in other western BAAs only sell long-term firm or additional network transmission service to the extent that there is sufficient excess capacity on the system to provide that service, after the needs of the BAA's native load and other existing firm uses have been met.¹¹ CAISO has no process to account for the needs of CAISO load as an existing firm use, or to determine the long-term availability of excess transmission that could be sold to other entities at priority equal to CAISO load. Because of this, it may well be the case that there is no excess capacity beyond that needed to meet the needs of CAISO load.

In other western BAAs, lack of excess transmission capacity would prevent the sale of long-term firm or network transmission for wheeling through or other transactions that

¹¹ DMM also recognizes that transmission providers in other BAAs also have processes for customers desiring firm service to initiate and fund transmission studies and upgrades where there is not sufficient existing ATC to provide additional firm service.

would receive scheduling priority equal to native load in the BAA. However, CAISO's proposed tariff revisions still allow high priority wheeling through transactions a scheduling priority equal to CAISO load, even when there has been no determination that the CAISO system has sufficient excess capacity to support this priority. These provisions benefit entities using high-priority wheeling through transactions by guaranteeing firm-quality transmission access at the potential expense of CAISO reliability.

In addition to provisions that guarantee priority transmission access to high-priority wheeling through transactions without determination that long-term excess capacity exists, the proposed changes also do not require that entities compensate CAISO transmission owners for higher scheduling priority, or otherwise procure long-term transmission access for wheeling through transactions. The proposed revisions afford high-priority wheeling through transactions firm transmission through the CAISO BAA on a pay-as-you-go basis, simply because an entity has signed an energy contract in another BAA, and procured firm transmission to reach the CAISO border. This approach is unique to the CAISO BAA, and favorable to transactions wheeling through the CAISO BAA as high-priority wheeling through transactions.

Other transmission providers require entities scheduling on their system to purchase and reserve transmission service at the desired priority level. DMM understands that if that desired priority level is network or similar quality transmission service, the entity would need to purchase that transmission service (only if available) on a long term basis, regardless of any outside energy contracts or transmission procured in other BAAs. Holding transmission service or being party to an energy contract in another BAA does not automatically convey firm, network level scheduling priority across any BAA other than CAISO.

For these reasons, DMM views the proposed tariff revisions as establishing a prioritization for wheeling through transactions in the CAISO BAA that is more favorable than other BAAs, while likely also exceeding the Commission's open access transmission requirements.

III. CONCLUSION

DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 19th day of May, 2021.

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