

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

California Independent System Operator
Corporation

Docket No. ER04-389-000

ORDER ACCEPTING DYNAMIC SCHEDULING AGREEMENTS

(Issued March 9, 2004)

1. In this order, the Commission accepts the California Independent System Operator Corporation's (CAISO) Dynamic Scheduling letter agreements with the Bonneville Power Administration (BPA), and with Sempra Energy Resources (Sempra) and Reliant Energy Services (Reliant) as Scheduling Coordinators for the El Dorado Energy Merchant Power Plant (El Dorado). This order benefits customers by encouraging increased power supply and improved reliability.

Background

2. On January 9, 2004, the CAISO filed Dynamic Scheduling letter agreements with BPA, Sempra and Reliant. The CAISO states that the letter agreements are part of an interim pilot project to allow the CAISO to assess the ability of System Resources to: (1) deliver energy imports Dynamically Scheduled¹ in the CAISO's day-ahead and hour-ahead markets, and (2) participate in certain of the CAISO's ancillary services and real-time (supplemental energy) markets in response to the CAISO's within-the-operating-hour dispatch instructions.

3. The CAISO states that since it implemented the dispatch and settlement of energy in its markets on a ten-minute basis,² it has been seeking ways in which to allow

¹ A Dynamic Schedule is defined in section ASRP 1.2.2 of the CAISO's Ancillary Services Requirements Protocol as "a telemetered reading or value which is updated in real time and which is used as a schedule in the ISO [Emergency Management System] calculation of [Area Control Error] and the integrated value of which is treated as a schedule for interchange accounting purposes."

² See California Independent System Operator Corporation, 91 FERC ¶ 61,324 at (continued...)

resources from outside the CAISO control area to respond to its dispatch instructions within an operating hour. Under its current tariff, scheduled imports remain static for the operating hour; the CAISO cannot make schedule changes within the hour because its systems account for the energy as delivered for the entire operating hour. Through Dynamic Scheduling the CAISO states it can make within hour changes to external resources, comparable to within control area generation. The CAISO states that it is in the process of developing formal, generally applicable policies for Dynamic Scheduling. According to the CAISO, the formal policies will establish the requirements and conditions governing the CAISO's acceptance of bids and schedules for imports of energy, ancillary services and associated energy, and bids for imports of supplemental energy into the CAISO control area through the use of Dynamic Scheduling. The CAISO states that the formal policies, when effective, will apply to the arrangements with BPA, Sempra and Reliant, as well as to all external suppliers that wish to establish Dynamic Scheduling arrangements.

4. The CAISO requests waiver of the Commission's 60-day prior notice requirement³ to permit an effective date of November 12, 2003 for the BPA letter agreement and December 4, 2003 for the Reliant and Sempra letter agreements. The CAISO states that the waiver is necessary to permit the arrangements to be formalized, as described in the letter agreements, on a timely basis.

Notice of Filing and Responsive Pleadings

5. Notice of the CAISO's filing was published in the Federal Register, 69 Fed. Reg. ¶ 3575 (2004), with comments, interventions and protests due on or before January 30, 2004.

6. Timely motions to intervene were filed by Sempra and Northern California Power Agency (NCPA). Timely motions to intervene and comment were filed by the Cities of Redding and Santa Clara, California and M-S-R Public Power Agency (collectively, Cities/MSR), Pinnacle West Energy Corporation (Pinnacle), Reliant and El Dorado. A timely motion to intervene and protest was filed by Powerex Corporation (Powerex). A motion to intervene out-of-time and comment was filed by Calpine Corporation (Calpine).

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62,117 (2000) accepting the CAISO's ten-minute market proposal as part of Amendment 29 to the CAISO tariff.

³ 18 C.F.R. § 35.11 (2003).

7. Cities/MSR state that they are interested in the CAISO's future Dynamic Scheduling policies and support Dynamic Scheduling as an important mechanism for market participants that should be accommodated by the CAISO.
8. Calpine states that it supports the CAISO's creation of a pilot program for Dynamic Scheduling, and urges the Commission to not only approve the pilot project, but to expand it as well to permit all other suppliers who wish to participate in the pilot project to do so in a non-discriminatory manner.
9. While Pinnacle states that the Commission should accept the letter agreements on an interim basis, Pinnacle states that three aspects of the CAISO's filed letter agreements should not be adopted in the final Dynamic Transfer requirements: (1) there should not be a requirement for a single certification, by the System Resource, including the Regulation Support requirements; (2) penalties for uninstructed deviation should not be imposed without some threshold determination of a system impact; and (3) there should not be a rigid implementation of a 20-minute, top of the hour ramp limitation.
10. Powerex argues that the process by which the CAISO selected suppliers to Dynamically Schedule was non-transparent and other suppliers were unaware of the pilot program. Powerex argues that the CAISO tariff has no restriction on who may engage in Dynamic Scheduling and, accordingly, the Dynamic Scheduling option should be offered to all market participants whether in a pilot program or permanently. Powerex states that if it were able to change its imbalance energy schedules within the operating hour in accordance with ISO dispatch instructions, both the CAISO and Powerex would benefit. According to Powerex, the CAISO would benefit from a more efficient dispatch, while Powerex would benefit because it would be able to respond to dispatch instructions to capture desirable prices and avoid exposure to undesirable prices. Powerex states that the CAISO must implement its final policies by April 1, 2004, or alternatively, allow other suppliers to participate in the interim pilot program. Powerex does not seek rejection of the filed agreements, but would like an opportunity to resolve any technical and operational issues with the CAISO so that it may Dynamically Schedule resources into the CAISO control area.
11. On February 17, 2004, the CAISO filed an answer to address the protest and comments. In its answer, the CAISO states that given the interest in Dynamic Scheduling expressed by the intervenors, the CAISO will develop the generic Dynamic Scheduling program as soon as possible. The CAISO states that it intends to circulate its Dynamic Scheduling proposal for stakeholder comment by March 2004 and plans to make a Section 205 filing with the Commission by April 1, 2004. The CAISO states that it is willing to work with Powerex, Calpine and other market participants in the interim to execute Dynamic Scheduling agreements that are consistent with the terms and conditions set forth in the letter agreements with BPA, Sempra and Reliant. The CAISO further states that it will consider Pinnacle's comments when developing its final Dynamic Scheduling policies.

12. On March 2, 2004, the CAISO filed a supplement to its answer. It explains that on March 1, 2004, it posted on its website a White Paper titled “Proposed Framework for Development of Dynamic Transfers Policy” in which it sets forth its initial proposal regarding the terms that would be incorporated into the dynamic scheduling policy, and its proposed implementation schedule. It further explains that to allow for an adequate stakeholder process, it has now established May 1, 2004 as the target date for making its dynamic scheduling filing.

Discussion

Procedural Matters

13. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2003), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. We will grant the late motion to intervene of Calpine, given its interest in this proceeding, the early stage of the proceeding and the absence of any undue prejudice and delay. Rule 213(a)(2) of the Commission’s Rules of Practice and Procedures, 18 C.F.R. § 385.213(a)(2) (2003), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept CAISO’s answer and supplemental answer because they have provided information that assisted us in our decision-making process.

Analysis

14. Dynamic Scheduling allows a Load Serving Entity (LSE) or generator to move via telemetry some or all of its demand and/or generation from its Host Control Area (Host) and place it in another Metered Control Area. Thus, the Metered Control Area controls the load and/or generation as though it was physically in that Control Area. Dynamic Scheduling requires careful coordination with the Host and any intermediate and receiving Control Areas, since it causes an automatic interchange to occur between control areas.

15. In Order No. 888, the Commission did not require that a transmission provider offer Dynamic Scheduling Service to a transmission customer, although the Commission indicated that the transmission provider may do so voluntarily.⁴ The Commission

⁴ See Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Order No. 888, FERC Stats. and Regs., Regulations Preambles January 1991-June 1996 ¶ 31,036 at 31,710 (1996), order on reh'g, Order No. 888-A, FERC Stats. and Regs., Regulations Preambles July 1996-December 2000 ¶ 31,048 at 31,710 (1996), order on reh'g, Order No. 888-B, 81 FERC ¶ 61,248 (1997), order on reh'g, Order No. 888-C, 82 FERC ¶ 61,046 (1998), aff'd in (continued...)

further explained that if the customer wants to purchase this service from a third party, the transmission provider should make a good faith effort to accommodate the necessary arrangements between the customer and the third party for metering and communication facilities.

16. We find that the CAISO's Dynamic Scheduling letter agreements with BPA, Sempra, and Reliant appear to be just and reasonable, and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful. Accordingly, we will accept the letter agreements between CAISO and BPA, Reliant and Sempra to be effective November 12, 2003, December 4, 2003 and December 4, 2003 respectively, as requested.⁵ Our acceptance of the CAISO's Dynamic Scheduling letter agreements is premised upon the commitments the CAISO makes in its answer and supplemental answer, including its commitment to make a Section 205 filing by May 1, 2004. Because of these commitments, including its commitment to work with Powerex and other market participants in the interim we consider Powerex's concerns to have been addressed. Further with respect to Pinnacle's concerns as to the final Dynamic Transfer requirements that may be put in place we note that the CAISO states that it will consider Pinnacle's comments when developing its final policies. In this regard, the Commission also will consider the issues raised by Pinnacle once the CAISO makes its Section 205 filing on its final Dynamic Transfer policy.

17. We direct the CAISO to provide a stakeholder process for market participants to raise concerns regarding its final Dynamic Scheduling policy prior to making its Section 205 filing by May 1, 2004. The CAISO should develop by May 1, 2004 uniform tariff language for its Dynamic Scheduling policy for inclusion in its Open Access Transmission Tariff. Should the CAISO decide not to formalize its Dynamic Scheduling policies, the CAISO should inform the Commission, including an explanation of its decision, in its May 1 filing.

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relevant part sub nom. Transmission Access Policy Study Group, et al. v. FERC, 225 F.3d 667 (D.C. Cir. 2000), aff'd sub nom. New York v. FERC, 535 U.S. 1 (2002).

⁵ See Central Hudson Gas and Electric Corp., et al., 60 FERC ¶ 61,106, order on reh'g, 61 FERC ¶ 61,089 (1992).

The Commission orders:

The executed letter agreements between CAISO and BPA, CAISO and Reliant, and CAISO and Sempra are hereby accepted, effective November 12, 2003, December 4, 2003 and December 4, 2003, respectively, as discussed in the body of this order.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.