

107 FERC ¶ 61,329
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. ER04-793-000

ORDER ACCEPTING DYNAMIC SCHEDULING AGREEMENTS

(June 29, 2004)

1. In this order, the Commission accepts the California Independent System Operator Corporation's (CAISO or the ISO) proposed Amendment No. 59 to the CAISO Tariff. Amendment No. 59 adds provisions to the CAISO Tariff regarding the standards that will apply to the dynamic scheduling of imports of energy and ancillary services from resources located outside of the ISO control area, *i.e.* system resources. This order benefits customers by encouraging increased power supply and improved reliability.

I. Background

2. On April 30, 2004, the ISO filed proposed Amendment No. 59 to the ISO Tariff.

3. On January 9, 2004, the CAISO filed agreements with Bonneville Power Administration (BPA), Reliant Energy Resources and Sempra Energy Resources as a "test" for dynamic scheduling imports from resources external to the CAISO control area. These agreements were accepted on March 9, 2004.¹ In its order, the Commission directed the CAISO to develop, by May 1, 2004, generally applicable language for a dynamic scheduling policy to be included in the CAISO Tariff.² In addition, the Commission ordered the CAISO to provide a process for market participants to provide input regarding the CAISO's dynamic scheduling proposal.³ The CAISO states that it

¹ California Independent System Operator Corporation, 106 FERC ¶ 61,245 (2004) (March 9 Order).

² March 9 Order at P17.

³ Id.

held a stakeholder conference on March 11, 2004 and the CAISO distributed draft documents to stakeholders for their comments on April 8, 2004. The CAISO asserts that Amendment No. 59, filed on April 30, 2004, reflects the stakeholders' comments and additional revisions to draft documents from the stakeholder process based on the CAISO's internal review.

4. In Amendment No. 59, the CAISO proposes to permit dynamic imports of energy from any system resource external to the ISO control area provided that: (1) implementation is consistent with all applicable North American Electric Reliability Council (NERC) and Western Electricity Coordinating Council (WECC) policies; (2) all CAISO operating, technical, and business requirements for the dynamic functionalities are satisfied; and (3) operating agreements applicable to each system resource, the system resource's host control area and any intermediary control areas are duly executed. The CAISO proposes to implement its dynamic scheduling program on an integrated basis by: (1) modifying the CAISO Tariff; (2) posting technical, operational, and business standards (the Standards) on the CAISO home page; and (3) requiring agreements between the CAISO and the Scheduling Coordinators for the system resources that will be dynamically scheduled, and agreements between the CAISO and the host and intermediary control areas. The CAISO requests that Amendment No. 59 become effective on June 29, 2004, with the exception of the CAISO's proposed revisions to the definition of tolerance band, which will be made effective in accordance with the orders in Phase 1B of the ISO market redesign proceeding (MD02).

II. Notice of Filing and Responsive Pleadings

5. Notice of the CAISO's filing was published in the Federal Register, 69 Fed. Reg. ¶ 27,913 (2004), with comments, interventions and protests due on or before May 21, 2004.

6. Timely motions to intervene were filed by the California Department of Water Resources, the California Electricity Oversight Board, Williams Power Company, Inc., the Modesto Irrigation District, the Northern California Power Agency, Calpine Corporation, PacifiCorp and PPM Energy, Inc., and the Metropolitan Water District of Southern California. 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 Companies (Pinnacle), Southern California Edison Company (So Cal Edison), the Transmission Agency of Northern California (TANC), Mirant Corporation, and the BPA. BPA also filed amended comments on June 2, 2004. A timely motion to intervene and protest was filed by Powerex Corporation (Powerex). Ormat Technologies, Inc. (Ormat) filed a motion to intervene out-of-time. The CAISO filed an answer on June 7, 2004.

III. Discussion

A. Procedural Matters

7. 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. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2003), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will grant Ormat's motion to intervene out-of-time given its interest in this proceeding, the early stage of the proceeding, and the absence of any undue prejudice or delay. We will accept CAISO's answer because it has provided information that assisted us in our decision-making process.

B. Analysis

8. 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.

9. 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 further explained that if the customer wants to purchase this service from a third party, the

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 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).

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.

10. We find that the CAISO's proposed revisions are just and reasonable and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. Accordingly, we will accept the proposed revisions to be effective June 29, 2004;⁵ with the exception of the proposed revision to the definition of tolerance band, which will be effective in accordance with the orders on MD02 Phase 1B, as requested.

1. New Tariff Provisions

11. The CAISO proposes to add a new section 2.2.7.6 to the CAISO Tariff. This section includes: (1) dynamic scheduling of the System Resource must be technically feasible and consistent with all applicable NERC and WECC requirements, (2) the dynamically scheduled system resource must comply with all technical, operational and business standards and procedures posted on the CAISO home page, (3) the Scheduling Coordinator for the dynamically scheduled system resource must execute an agreement with the ISO for the operation of the dynamic scheduling functionality, and (4) the system resource's host and all intermediary control areas must each enter into operating agreements with the ISO that will provide for dynamic scheduling.

Comments

12. Mirant supports the CAISO Amendment No. 59 provided that the CAISO clarifies that a system resource may sell any uncommitted capacity in the market. The CAISO defines the maximum allowable dynamic power transfer capability as "Pmax" to be set by mutual agreement of the CAISO and the system resource. However, Mirant contends that the Pmax value may only account for a portion of the allowable output of the

⁵ We note that the ISO's proposed effective date for its revisions to its OATT falls one day short of the required 60-day notice period. The 60-day notice period required by our regulations starts to run on the first day after the date of filing. Thus, the earliest date that a filing may become effective, absent waiver of the notice requirements, is the day after the 60-day notice period has expired or, as in this case, June 30, 2004. See *Utah Power & Light Co.*, 30 FERC ¶ 61,024 n.9 (1985). Nevertheless, we find good cause to grant waiver of the Commission's 60-day prior notice requirement to permit the effective date requested by the ISO. See *Central Hudson Gas & Elec. Corp., et al.*, 60 FERC ¶ 61,106 at 61,338, reh'g denied, 61 FERC ¶ 61,089 (1992).

generating facility. The difference between the maximum allowable output of the generating facility and Pmax represents capacity that may be sold into any market that may be reached by the generating facility. Consequently, Mirant states that the Commission should direct the CAISO to include specific Tariff language permitting a system resource that is dynamically scheduled to the CAISO to simultaneously schedule and sell any uncommitted capacity into another control area. Mirant also requests clarification on how the tolerance band will apply if capacity is sold into separate markets. Mirant states that it is unclear from the filing how the CAISO will apply the tolerance band to a system resource that has dynamically scheduled part of its output to the CAISO and part of its output to its host control Area.

13. Powerex states that one issue that the CAISO does not address is an exemption for dynamic schedules of system resources from the uninstructed deviation penalty (UDP) if there is an outage, whether a transmission or generation outage, associated with that system resource that is beyond the control of the market participant that is dynamically scheduling. The market participant in this situation should have the opportunity to report the outage to the CAISO and thereby be relieved from the UDP. It requests that the CAISO modify section 11.2.4.1.2 (p), along with section 2.3.3.9.5 (which is cross-referenced in section 11.2.4.1.2) to apply the UDP exemption and the thirty-minute reporting requirement to dynamic schedules of system resources, without also subjecting system resources to the other requirements in those sections that are solely applicable to generating units.

Commission Determination

14. With regard to Mirant's request for a tariff clarification on a generating facility being permitted to simultaneously sell excess generation (above Pmax) in another control area, the CAISO responded that a system resource is permitted to sell any unencumbered capacity to other markets.⁶ Accordingly, we find that no further clarification is required.

15. In addition, in its answer, the CAISO addressed how the tolerance band will apply if capacity is sold in two separate markets.⁷ The CAISO states that, in accordance with the provisions contained in Amendment No. 58,⁸ the tolerance band for generating units and dynamically scheduled system resources will be based on the associated Pmax

⁶ Answer at 10.

⁷ Id. at 10-11.

⁸ Docket No. ER04-609-000.

regardless of any forced outage or curtailment of any portion of the capacity of the generating unit or system resource. As the CAISO states, this issue is currently before the Commission in the Amendment No. 58 proceeding. Therefore we defer our determination on the tolerance band to an order issued in that proceeding

16. In response to Powerex, the CAISO asserts that the issue of UDP applicability to system resources is also being addressed in the Amendment No. 58 proceeding, in which the CAISO has substantively addressed Powerex's concerns. In its Answer, the CAISO states that it explained that Scheduling Coordinators for dynamically scheduled system resources will have the ability to notify the CAISO of outages for those resources through its computer-based logging system (SLIC) as if the resources were generating units in the CAISO control area. It states that should such a resource be unable to meet its hour-ahead schedule due to a real-time outage, the Scheduling Coordinator will be able to avoid UDP if it notifies the CAISO of the outage via SLIC within 30 minutes of the onset of the outage. As stated above, UDP applicability is being addressed in the Amendment No. 58 proceeding and we defer our determination of this issue to that proceeding.

2. Technical, Operational and Business Standards

17. As stated above, the CAISO proposes to post certain technical, operational and business standards applicable to scheduled system resources in a document on the CAISO home page.⁹ These Standards will not be included in the CAISO Tariff, but will only be posted on the CAISO home page. According to the CAISO this approach is similar to that approved by the Commission in the Amendment 25 proceeding.¹⁰

Comments

18. TANC and Cities/MSR state that they are concerned with the fact that the CAISO has chosen not to incorporate these standards into the CAISO tariff or ISO protocols and has, instead, chosen to post these standards on its home page. They claim that dynamic scheduling is a term and condition of service that has significant consequences for the market and a particular impact on the entities engaging in such schedules and that these terms should be incorporated into the CAISO Tariff. Cities/MSR contends that the CAISO Tariff is the only mechanism through which the CAISO can enforce the dynamic scheduling standards and that if they are not incorporated into the tariff, the CAISO will

⁹ The CAISO attached this document as Attachment E to the present filing.

¹⁰ California Independent System Operator Corporation, 90 FERC ¶ 61,316 at 62,046 (2000).

not be able to enforce these standards. In addition, both TANC and Cities/MSR contend that any request for modification of these standards must be filed with the Commission for approval so that entities have notice and an opportunity to be heard.

19. So Cal Edison states that there is a conflict between the definitions of a system resource found in the text of the standards for dynamic imports of energy and the introductory paragraph of the standards. So Cal Edison states that the definition of system resource in the introduction to the standards potentially includes more than one physical generating resource (allocated portion of resources), whereas section 5.12 of the standards as drafted seems to preclude more than one generating resource. To clarify the meaning of section 5.12, So Cal Edison proposes making it consistent with the definition of "System Resource" and suggests the following language for section 5.12 to replace that in the current draft: "5.12 Each System Resource may have only one dynamic schedule."

Commission Determination

20. We will reject the CAISO's proposal to post the Standards on its home page. In its answer, the CAISO states that under the Commission's "rule of reason" its operating procedures do not need to be filed. The CAISO argues that the information to be posted on its website contains operating procedures and that the rates are contained in the tariff. The CAISO contends that the Standards only provide an additional level of detail but do not fundamentally define the rates, terms and conditions of service.

21. We disagree that the rule of reason would not require the CAISO to file the dynamic scheduling standards. The details contained in the Standards are practices that may affect the terms and conditions of service significantly and therefore, under the Commission's "rule of reason," must be filed under section 205 of the FPA. Consequently, we will require the CAISO to file revised tariff sheets to include the provision contained in the Standards that affect terms and conditions of service in its tariff within 30 days of the date of this order.

22. As to the apparent conflict between section 5.12 of the Standards and the introduction, we deny So Cal Edison's request. Section 5.12 states "[o]nly one dynamically scheduled system resource may be associated with any one physical generating resource." In its Answer, the CAISO states that the wording of this section is intended to rule out the prospect of implementing multiple dynamic schedules based on one single physical generating plant. The wording of section 5.12 allows for only one dynamically scheduled system resource to be associated with any one physical generating plant. The CAISO contends that So Cal Edison's proposed wording would allow a separate dynamic schedule for each of two or more portions of the capacity of a generating plant, since each portion could by definition be considered to be a separate

system resource. However, the wording of section 5.12 does not limit the number of generating resources that may be aggregated for purposes of a single dynamic schedule. Therefore, it is possible to dynamically schedule more than one physical generating plant, but not more than one portion of any single generating plant. We find that this is consistent with the introduction of the standards and, therefore, deny So Cal Edison's request.

3. Necessary Operating Agreements

23. In order to implement dynamic scheduling functionality for a particular resource, the CAISO states that it will require a dynamic scheduling agreement between the CAISO and the Scheduling Coordinator for the dynamically scheduled system resource. It will also need a separate operating agreement between the CAISO and the host and each intermediary control area. The CAISO has provided the following pro forma agreements to the Commission: (1) a dynamic scheduling agreement for Scheduling Coordinators, (2) an interconnected control area operating agreement service schedule 17 and (3) a dynamic scheduling host control area operator agreement. The CAISO requests Commission approval of the pro forma agreements. The CAISO states that it will file any executed agreements that materially deviate from the pro forma agreements.

24. BPA states that it believes that the CAISO should develop one operating agreement template to govern the relationships of all entities involved in the dynamic scheduling relationship, rather than having three pro forma agreements. It contends that this would enable all parties to understand their respective roles and responsibilities and provide for more efficient contract enforcement. In its Answer, the CAISO states that it believes that its pro forma contracts are preferable because the terms of those contracts are standardized. However, it stated that it would be "willing to consider executing a three-party agreement with [BPA] or other entities where that is the preferred means of coordination."¹¹ We will not order the CAISO to develop a single contract, as requested by BPA. However, we do not preclude the CAISO and BPA from entering into a single contract, as agreed to by the CAISO in its Answer.

¹¹ Answer at 8.

4. Requests for Clarification

25. As a control area operator, So Cal Edison implemented several dynamic scheduling arrangements under contract prior to the existence of the ISO that were subsequently implemented by the ISO at the start of the ISO Operations Date. So Cal Edison requests clarification that such dynamic scheduling arrangements will continue to be honored by the ISO and will not be changed as a result of this amendment. In its Answer, the CAISO clarified that it will grant exemptions from specific provisions of Amendment No. 59 and the Standards to the extent that dynamic scheduling arrangements under contract prior to the existence of the ISO are inconsistent with the standards set forth in Amendment No. 59.

26. BPA requested clarification on several points. It seeks clarification whether the CAISO seeks to require BPA to enter into the dynamic scheduling host control area operating agreement found at Attachment H, in addition to the interconnected control area operating agreement already negotiated by BPA. In addition, it requests clarification of what data (generation data from host control area) is being referred to. BPA contends that if the reference is to generation data, such data would be within the control and responsibility of the Scheduling Coordinator, not BPA. BPA believes this section should be revised to require the Scheduling Coordinator, not the host control area, to relay the required generation data to the CAISO control area.

27. In its Answer, the CAISO clarified these points. It stated that BPA need only sign either an interconnected control area operating agreement or the dynamic scheduling host control area operating agreement found at Attachment H. Therefore, since BPA has already entered into an interconnected control area operating agreement, it will not be required to sign an additional document.

28. In addition, the CAISO stated that the only data required to be communicated from the host control area to the CAISO for the non-regulation dynamic functionality are the actual dynamic schedule signal and, once per hour, the calculated amount of MWh delivered by the host control area to the CAISO during the last operating hour. Therefore, the CAISO has sufficiently addressed BPA's concerns.

29. BPA is also concerned that the language in sections 9.1.2 and 9.2.1 of the dispatch protocol¹² might be interpreted to give the CAISO broad control over generators located within BPA's control area rather than specifically designated system resources. The CAISO clarifies, in its Answer, that it does not seek operational control over generators located within BPA's control area and that its dispatch instructions would only pertain to the system resource capacity that was scheduled or committed through the ISO's markets for a given operating hour. In addition, it clarifies that BPA has the right to interrupt any service or schedule into or out of BPA's control area if necessary to maintain the reliability of BPA's transmission system.

The Commission orders:

(A) The proposed tariff revisions are hereby accepted effective June 29, 2004 with the exception of the proposed revision to the definition of tolerance band, which will be effective in accordance with the orders on MD02 Phase 1B, as discussed in the body of this order.

(B) The CAISO is hereby directed to submit a compliance filing within 30 days of the date of this order reflecting its dynamic scheduling standards, as discussed in the body of this order.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.

¹² Section 9.1.2 of the Dispatch Protocol found in Attachment A, provides that “[t]he ISO will exercise its authority under 9.1.1 by issuing Dispatch Instructions to the relevant Participants using the relevant communications method described in DP 4.” Section 9.2.1 of the dispatch protocol, compliance with dispatch instructions, provides that “[a]ll Participants within the ISO control area and all dynamically scheduled system resources shall comply fully and promptly with the ISO's Dispatch Instructions unless such operation would impair public health or safety.”