

170 FERC ¶ 61,169
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

February 28, 2020

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER20-664-000

California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Attention: John C. Anders

Dear Mr. Anders:

1. On December 20, 2019, California Independent System Operator Corporation (CAISO) filed a Nodal Pricing Model Agreement between CAISO and PacifiCorp (Agreement). The Agreement sets forth the terms and conditions under which CAISO will modify its existing day-ahead optimization systems to provide a nodal pricing model solution for PacifiCorp. CAISO states that the solution will produce separate day-ahead nodal pricing results within PacifiCorp's balancing authority areas (i.e., PacifiCorp East and PacifiCorp West), without a financial settlement or impact to CAISO's day-ahead market.¹

2. CAISO states that PacifiCorp is seeking a third-party administered arrangement that includes a day-ahead, security-constrained economic solution upon which its power costs can be equitably allocated among the states in which PacifiCorp provides retail electric service.² CAISO notes that PacifiCorp established the following guiding principles for developing a cost allocation methodology: (1) the allocation method should support individual states' abilities to have a unique resource portfolio mix that does not adversely impact other states; (2) the allocation method should assign costs to the state(s) that benefit from and/or drive those costs and provide appropriate incentives

¹ CAISO Transmittal at 1.

² *Id.* at 2. CAISO states that PacifiCorp provides retail electric service in California, Oregon, Washington, Idaho, Utah, and Wyoming. *Id.* at 1 n.2.

and transparency of cost drivers to better inform resource decision making; and (3) the allocation method should maximize the transparency of cost allocation and dispatch decisions and reduce reliance on subjective assumptions.³ CAISO states that, of the models that PacifiCorp researched, the nodal pricing model appears to PacifiCorp to provide the cost-benefit precision and transparency it desires while adhering to the guiding principles.

3. CAISO explains that, in producing a nodal pricing model solution for PacifiCorp, it will include PacifiCorp's two balancing authority areas in the day-ahead optimization, and will model them as individual balancing authority areas to deliver the nodal pricing model solution. CAISO states that its software will produce optimal unit commitment and hourly energy schedules for PacifiCorp supply resources in the two balancing authority areas.⁴ The Agreement provides that CAISO will optimize PacifiCorp generation schedules using security constrained unit commitment while maintaining complete price separation with the CAISO day-ahead market.⁵ CAISO further states that, while it will optimally schedule transfers between PacifiCorp East and PacifiCorp West, net energy transfer between PacifiCorp and CAISO will be constrained to zero to avoid any impact to the CAISO day-ahead market solution. The Agreement provides that the day-ahead settlement for PacifiCorp will be advisory only and will not be financially binding.⁶

4. Under the Agreement, PacifiCorp will pay CAISO an annual service fee of \$8.4 million.⁷ The Agreement provides that the service fee will be subject to adjustment if there is a change in scope of the services, or if CAISO provides notice that: (1) its costs to continue delivery of the service exceed the fee; and (2) its operating costs have increased by at least two percent since the date the services fee was most recently set.⁸

³ *Id.*

⁴ *Id.* at 4.

⁵ *Id.* at 5; CAISO Filing, Attachment A, Nodal Pricing Agreement, Attachment A at 2.

⁶ CAISO Transmittal at 5; CAISO Filing, Attachment A, Nodal Pricing Agreement, Attachment A at 12.

⁷ CAISO Transmittal at 6 (citing CAISO Filing, Attachment A, Nodal Pricing Model Agreement § 4.1).

⁸ *Id.* at 7; CAISO Filing, Attachment A, Nodal Pricing Agreement § 4.1.

CAISO states that it will treat all revenues it receives from PacifiCorp pursuant to the Agreement to offset the annual grid management charge revenue requirement.⁹

5. CAISO states that it is committed to ensuring that its provision of its nodal pricing model does not impact the day-ahead market results nor the timelines associated with the day-ahead market process.¹⁰ CAISO notes that the Agreement provides that CAISO may terminate the agreement prior to the start of the services if CAISO reasonably determines that the nodal pricing model will adversely impact its day-ahead market.¹¹

6. Notice of CAISO's filing was published in the *Federal Register*, 84 Fed. Reg. 71,914 (2019), with interventions and protests due on or before January 10, 2020. PacifiCorp filed a timely motion to intervene and comments in support of the filing. NRG Power Marketing LLC, Pacific Gas and Electric Company, Powerex Corporation, Bonneville Power Administration, and Northern California Power Agency filed timely motions to intervene. No protests were filed.

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2019), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

8. We find that the Agreement appears to be just and reasonable and has not been shown to be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful, and therefore we accept it for filing. The Agreement establishes a framework for CAISO to provide a nodal pricing solution to PacifiCorp. The nodal pricing solution should provide PacifiCorp with optimized day-ahead dispatch schedules, as well as a transparent basis on which to allocate costs. Furthermore, CAISO will treat all revenues that it receives from PacifiCorp as an offset to the annual grid management charge.

9. CAISO commits to ensuring that its performance under the Agreement will not cause an adverse impact on its day-ahead market results or timelines.¹² Recognizing that

⁹ CAISO Transmittal at 9.

¹⁰ *Id.* at 8.

¹¹ *Id.* (citing CAISO Filing, Attachment A, Nodal Pricing Model Agreement § 2.2.1).

¹² *Id.* at 7.

parties can agree to amend the Agreement to address unexpected adverse impacts,¹³ we encourage CAISO to work with stakeholders should issues arise.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

¹³ CAISO Filing, Attachment A, Nodal Pricing Model Agreement § 3.3.