



June 15, 2022

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket No. ER22-906-____
Quarterly Informational Report Regarding Transmission Service and
Market Scheduling Priorities Stakeholder Process**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) hereby submits its quarterly report regarding the CAISO's Transmission Service and Market Scheduling Priorities stakeholder initiative as directed by the Commission's March 15, 2022 Order in the above-referenced docket.

Please contact the undersigned with any questions.

Respectfully submitted,

By: /s/ Anthony Ivancovich

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California ISO

**Quarterly Informational Report (Docket No. ER22-906)
Status of Transmission Service and Market Scheduling
Priorities Stakeholder Process**

June 15, 2022

On March 15, 2022, the Federal Energy Regulatory Commission (Commission) issued an order¹ extending until June 1, 2024 the California Independent System Operator Corporation's (CAISO) tariff provisions regarding the scheduling priorities for wheeling through transactions. The Commission initially approved such tariff provisions on an interim basis -- until June 1, 2022 -- in an order issued on June 25, 2021 in Docket No. ER21-1790.² In its March 15, 2022 Order, the Commission also directed the CAISO to file quarterly informational reports to update the Commission on the CAISO's efforts toward developing long-term rules delineating rights for wheeling through transactions across the CAISO grid. The Commission stated that the CAISO must file the reports beginning three months after the March 15 Order and every three months thereafter until the CAISO files a long-term solution with the Commission. The Commission also stated that such reports should describe any long-term alternative solutions being considered in the stakeholder process, explain any potential impediments to implementing any particular solution, and provide an updated schedule for finalizing a proposal. This is the CAISO's first report to the Commission.

Transmission Service and Market Scheduling Priorities Stakeholder Process

The CAISO began the *External Load Forward Scheduling Rights Process* initiative, which was subsequently renamed the *Transmission Service and Market Scheduling Priorities* initiative, by hosting a workshop with stakeholders on July 13, 2021. In the workshop, the CAISO explained that the initiative would (1) explore near-term enhancements implementable by the summer of 2022, and (2) build upon the policy discussion that resulted in the April 28 Tariff Amendment, in which the CAISO committed to undertake an initiative to develop a long-term durable framework for establishing priority scheduling rights in its markets.³ From the outset, the CAISO envisioned the initiative would proceed in two phases: a first phase that would consider enhancements the CAISO could implement by the summer of 2022 and present to the CAISO Board for approval in early 2022; and a second phase in which the CAISO and stakeholders would consider a longer-term, holistic framework for establishing market scheduling priorities that the CAISO could present for CAISO Board approval and implement later.⁴

Regarding Phase 2 of the *Transmission Service and Market Scheduling Priorities* initiative, the CAISO established three stakeholder working groups to consider potential components of a process for establishing scheduling priority for wheeling through transactions in the CAISO market. As described in the CAISO's August 31, 2021 Issue Paper, the three working groups and their areas of focus were:

¹ *California Independent System Operator Corporation*, 178 FERC ¶61,182 (2022) (March 15 Order).

² *California Independent System Operator Corporation*, 175 FERC ¶61,245 (2021). This order approved a tariff amendment filed by the CAISO on April 28, 2021 (April 28 Tariff Amendment).

³ See CAISO presentation, *External Load Forward Scheduling Rights Process Workshop*, at slide 6 (July 13, 2021), available at [ISOPresentation-ExternalLoadForwardSchedulingRightsProcessWorkshop-Jul13-2021.pdf](https://www.ferc.gov/ISOPresentation-ExternalLoadForwardSchedulingRightsProcessWorkshop-Jul13-2021.pdf) ([caiso.com](https://www.ferc.gov/)).

⁴ *Id.* at slide 12.

Working Group 1 – Calculating Native Load Needs and Available Transfer Capability (ATC)

This working group evaluates approaches, processes, and inputs for calculating ATC and native load needs as an existing transmission commitment (ETC). The scope of the work included:

- Calculating ETC for native load – inputs and assumptions;
- Calculating margins, including Capacity Benefit Margin (CBM) and Transmission Reserve Margin (TRM);
- Accounting for uncertainties (generation, load, topology uncertainties);
- Calculating ATC across different timeframes;
- Transparency and data requirements; and
- Tools and system supporting the calculations and process.

This working group's focus is (1) discussing (and learning from) other entities' practices for calculating the different components of the ATC methodology and reserving transmission capacity for native load needs, and (2) identifying and developing an approach (or approaches) for consideration.

Working Group 2 – Transmission Products and Reserving Transmission Service

The focus of this working group is evaluating the different transmission products that potentially could be offered in the CAISO's markets and the process for reserving transmission service. Scope included:

- Evaluating types of transmission products;
- Evaluating transmission product time increments;
- Evaluating processes for requesting transmission service;
- Process for evaluating transmission service requests to determine if they can be awarded;
- Transparency and data requirements regarding awarding of transmission service; and
- Tools and systems supporting the different aspects of processes.

Working Group 3 – Studying Requests for Long-Term Service and Identifying Upgrades

The focus of this working group is evaluating planning processes to study requests for long-term transmission service that the CAISO cannot otherwise accommodate. The scope of the work included:

- Process for requesting a study;

- Study process to evaluate whether an upgrade may be needed to accommodate a request, including consideration of individual studies or clustered studies (multiple requests);
- Process and requirements (financial or otherwise) for proceeding with a transmission upgrade; and
- Identifying the rights that an individual entity secures if it proceeds with an upgrade.

In addition to establishing the three working groups, the CAISO also met with representatives of other ISOs and RTOs to benchmark their practices regarding market scheduling priorities, treatment of wheeling through transactions, calculation of native load needs, and related matters. The CAISO summarized its findings in the initiative's Issue Paper.⁵

From November 2021 through February 2022, the CAISO held a series of meetings on each of the three working group topics to learn about the practices of other transmission service providers in the west. The working groups were open to all stakeholders. Three transmission service providers⁶ shared their practices regarding the working group topics. In the working group 1 meetings, these transmission service providers discussed in detail their processes for calculating ATC and its different components. In particular, they focused on how they derive native load needs based on different assumptions and the unique natures of their transmission systems and supply portfolios. In working group 2, these same transmission service providers discussed processes for reserving transmission service and the transmission products they offer across different timeframes under their Open Access Transmission Tariff (OATT) framework. The discussion included these entities' transmission request submission processes and their criteria for evaluating requests, in different timeframes, to determine if there is sufficient ATC to accommodate a transmission request. Finally, in working group 3 the three transmission service providers shared their practices and processes for incorporating requests for transmission service for a year or longer into their transmission planning study process to identify potential transmission upgrades that might allow them to provide transmission service on a long-term basis. Throughout the discussion, stakeholders and the CAISO had the opportunity to ask questions and consider the implications of a potential process for establishing scheduling priority across the CAISO system for wheeling through transactions. Vistra/Powerex and the California load serving entities also made presentations on potential frameworks for establishing scheduling priorities across the CAISO system. The information these presenters provided and the discussions in the working groups have helped inform the CAISO's development of a straw proposal for establishing wheeling through scheduling priorities across the CAISO system.

In March 2022, the CAISO retained a consultant (OATI Inc.) to help it develop a process to allow wheeling through transactions to establish a scheduling priority across the

⁵ Issue Paper at 28-33. The Issue Paper is available at <http://www.caiso.com/InitiativeDocuments/IssuePaper-ExternalLoadForwardSchedulingRightsProcess.pdf>.

⁶ The transmission service providers sharing their practices were the Bonneville Power Administration, Idaho Power Company, and Salt River Project.

CAISO system and evaluate implementation needs. Since then, the CAISO has been working closely with OATI to identify the different elements of a longer-term framework and develop a straw proposal for stakeholder consideration. A particular focus has been on developing an ATC calculation across different timeframes that would be robust enough to establish wheeling through priorities across the CAISO system, while maintaining reliable service to native load. This has required the CAISO to undertake a significant data collection effort going back to 2020 so it can evaluate the various ATC components, assess usage of the CAISO transmission system, and consider appropriate TRM needs. The CAISO and OATI are collaborating to analyze data that derives ATC across different points on the CAISO system to illustrate the potential availability and feasibility of wheeling through transactions establishing scheduling priority across the CAISO system. The data the CAISO and OATI are evaluating reflects different ranges of potential assumptions informing the transmission capacity that might be set aside for native load needs. The CAISO will incorporate this data into the straw proposal for stakeholder review and discussion.

The CAISO has also been having additional conversations with other ISOs/RTOs and transmission providers to vet the concepts it is considering for inclusion in a straw proposal. The CAISO is working with OATI to finalize the initial straw proposal.

Options the CAISO is Currently Evaluating

The CAISO is working on developing a framework under which entities seeking to wheel through the CAISO system can establish a market scheduling priority equal to load by reserving ATC in an advance timeframe. Wheeling through transactions able to secure the ATC in advance would have a scheduling priority equal to CAISO load, while wheeling through transactions that do not reserve the ATC in advance will have a lower scheduling priority as they do today.

Although the CAISO currently calculates ATC across its interties, this calculation does not consider or set aside transmission capacity for native load needs. Under the framework being considered, the CAISO would calculate ATC across different time horizons and explicitly derive an amount of transmission capacity to be set aside for native load. The CAISO also anticipates setting aside transmission capacity as a transmission reserve margin to account for different uncertainties or emergency conditions. The CAISO expects a key focus of the stakeholder discussion will be the different possible assumptions for deriving native load needs and other ATC components

The CAISO is also considering, as part of the framework, a possible process for external entities to seek to establish a scheduling priority for wheeling through transactions on a long-term basis (1-year or longer in duration). A request to establish a long-term wheeling through scheduling priority can be studied through an annual process, along with other system needs, to determine whether a system upgrade is needed to accommodate the scheduling priority. If a transmission upgrade is needed, the entity seeking to wheel through the CAISO system could participate in and fund the upgrade to secure the higher scheduling priority.

The CAISO is also considering potential rate structures and other requirements for wheeling through transactions obtaining a scheduling priority in advance. Under the interim rules, a scheduling coordinator for a wheeling through transaction can establish a high priority for the transaction for a month by showing, 45 days before the applicable month, that the transaction is supported by (1) a firm power supply contract to serve an external load serving entity's load throughout the calendar month and (2) monthly firm transmission the external LSE has procured under applicable open access tariff, or comparable transmission tariffs, for Hours Ending 07:00 through 22:00, Monday through Saturday, excluding NERC holidays. Further, under the current structure, CAISO wheeling access charges apply only when the wheeling through transaction is scheduled in the market. Moving to a long-term framework where wheeling through transactions can establish a scheduling priority in advance on a long-term or short term basis requires re-evaluating the eligibility requirements for priority wheeling through transactions and the rate structure. The CAISO is currently researching and benchmarking different practices around the country to inform development of the straw proposal.

Impediments the CAISO Faces

The CAISO has not yet posted its initial straw proposal. The CAISO is seeking to develop a balanced approach that will (1) provide opportunities for entities to secure wheeling through priorities in advance, (2) work effectively, seamlessly, and efficiently within the CAISO's existing, unique market and service framework, and (3) ensure reliable service to native load. The framework under consideration contains many challenging and complex components on which stakeholders may not be aligned. The CAISO expects it will require several iterations of proposals to reach a common understanding and build consensus where possible. In particular, calculating ATC and the individual native load and transmission reserve margin components of ATC will require extensive data gathering and analysis and stakeholder evaluation and vetting. The CAISO and stakeholders will need to determine the appropriate underlying assumptions to calculate the transmission that should be set aside for native load needs. The CAISO and stakeholders also must vet the appropriate compensation structure and any other requirements for entities to obtain a wheeling through scheduling priority in advance.

The CAISO does not believe these are insurmountable challenges, and it seeks to develop a framework that can be implemented in advance of summer 2024. The CAISO recognizes the importance of having regulatory clarity on these matters far enough in advance of June 2024 so contracts can align with the rules that will be in effect for the summer of 2024. In that regard, the CAISO provides below its current schedule for the initiative. The CAISO expects to make a tariff amendment filing no later than the third quarter of 2023.

Current Schedule for Transmission Service and Market Scheduling Priorities Initiative

Date	Milestone
7/14/2022	Straw proposal posted
7/25/2022	Stakeholder call (week of)
8/15/2022	Comments due (week of)
9/26/2022	Revised Straw Proposal posted (week of)
10/3/2022	Stakeholder call (week of)
11/7/2022	Comments due (week of)
12/5/2022	Draft Final Proposal posted
12/12/2022	Stakeholder call
1/9/2022	Comments due
1/30/2023	Final proposal posted (week of)
Q1 2023	Present Proposal for approval

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the above-referenced proceeding, 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 15th day of June, 2022.

/s/ Jacqueline Meredith

Jacqueline Meredith