

185 FERC ¶ 61,085  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Willie L. Phillips, Acting Chairman;  
James P. Danly, Allison Clements,  
and Mark C. Christie.

California Independent System Operator Corporation

Docket No. ER23-2510-000

ORDER ACCEPTING TARIFF REVISIONS, SUBJECT TO CONDITION

(Issued October 30, 2023)

1. On July 28, 2023, the California Independent System Operator Corporation (CAISO) filed, pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> proposed revisions to its Open Access Transmission Tariff (Tariff) to implement a framework for external entities to obtain, in advance, on a monthly and daily basis, wheeling through self-schedule priorities equal to the scheduling priority of CAISO demand, as well as related updates to CAISO's calculation of Available Transfer Capability (ATC). In this order, we accept the revisions to be effective as of November 1, 2023 and June 1, 2024, as requested, subject to CAISO submitting a compliance filing, as discussed below, within 30 days of the date of this order.

**I. Background**

2. In Order No. 888,<sup>2</sup> the Commission required public utilities to provide open access transmission service on a comparable basis to the transmission service they provide themselves. The Commission's goal was to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient, lower-cost power to the

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<sup>1</sup> 16 U.S.C. § 824d.

<sup>2</sup> *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Servs. by Pub. Utils.; Recovery of Stranded Costs by Pub. Utils. & Transmitting Utils.*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996) (cross-referenced at 75 FERC ¶ 61,080), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 (cross-referenced at 78 FERC ¶ 61,220), *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 Pol'y Study Grp. v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. N. Y. v. FERC*, 535 U.S. 1 (2002).

nation's electricity consumers.<sup>3</sup> In particular, Order No. 888 required all public utilities that own, control, or operate facilities used for transmitting electricity in interstate commerce to file open access non-discriminatory transmission tariffs that contain non-discriminatory service.<sup>4</sup> However, the Commission also gave public utilities the right to reserve in their transmission capacity calculations existing transmission capacity needed for native load and network transmission customer load growth reasonably forecasted within the utility's current planning horizon.<sup>5</sup>

3. On February 16, 2007, the Commission issued Order No. 890<sup>6</sup> in order to strengthen the open access protections embodied in Order No. 888 and reduce opportunities for undue discrimination. In rejecting arguments to eliminate native load protections, the Commission emphasized the need to balance open access principles with native load obligations:

We conclude that the native load priority established in Order No. 888 continues to strike the appropriate balance between the transmission provider's need to meet its native load obligations and the need of other entities to obtain service from the transmission provider to meet their own obligations.<sup>7</sup>

Reflecting this balance, the Commission required greater consistency and transparency in the methodologies used by transmission providers to set aside capacity for native and network load in calculating ATC.<sup>8</sup>

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<sup>3</sup> Order No. 888, FERC Stats. & Regs. ¶ 31,036 at 31,634.

<sup>4</sup> A synopsis of the Commission's efforts in this regard is found at <https://www.ferc.gov/industries-data/electric/industry-activities/open-access-transmission-Tariff-oatt-reform/history-oatt-reform>.

<sup>5</sup> Order No. 888, FERC Stats. & Regs. ¶ 31,036 at 31,694.

<sup>6</sup> *Preventing Undue Discrimination & Preference in Transmission Serv.*, Order No. 890, 118 FERC ¶ 61,119, *order on reh'g*, Order No. 890-A, 121 FERC ¶ 61,297 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

<sup>7</sup> Order No. 890, 118 FERC ¶ 61,119 at P 107.

<sup>8</sup> *Id.* PP 4, 193-417.

4. Under Order No. 890, transmission providers may restrict the amount of capacity available for firm transmission service sales on a first-come, first-served basis. The right to reserve capacity for native load is not unlimited, however. To the extent capacity is not needed to serve existing transmission commitments, as determined through a tariff-defined process, the capacity must be released for sale. This includes capacity built for planned load growth for which the load has not yet materialized. Many regional transmission organizations (RTO) and independent system operators (ISO) have adopted tariff provisions that reserve capacity in ATC calculations consistent with these principles.<sup>9</sup>

5. Unlike other RTOs/ISOs, the CAISO Tariff contains none of these traditional mechanisms to set aside transmission capacity to serve native load. Specifically, CAISO does not currently include native load requirements in its transmission commitments when calculating ATC.<sup>10</sup> Moreover, CAISO chose not to offer different types of transmission service (e.g., network, firm point-to-point, and non-firm point-to-point) but instead offers only one category of new transmission service, called “new firm service,” that is not associated with existing rights, such as Existing Transmission Contracts (ETC)<sup>11</sup> and Transmission Ownership Rights (TOR).<sup>12</sup> The Commission found CAISO’s alternative framework for accommodating transmission service requests and market bids to be just and reasonable and compliant with Order No. 890.<sup>13</sup>

6. Further, CAISO has not used a transmission reservation system that would protect its ability to serve its native load when the CAISO transmission system is constrained. Instead, when there was insufficient transmission capacity to support all intertie

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<sup>9</sup> *Id.* P 259.

<sup>10</sup> CAISO, CAISO eTariff, app. L, (11.0.0), § L.1.3 (Existing Transmission Commitments (ETComm)).

<sup>11</sup> ETCs are “[t]he contracts which grant transmission service rights in existence on the CAISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or any agreement between the parties thereto from time to time.” CAISO, CAISO eTariff, app. A (Definitions) (0.0.0).

<sup>12</sup> A TOR is “[t]he ownership or joint ownership right to transmission facilities within the CAISO Balancing Authority Area of a Non-Participating TO that has not executed the Transmission Control Agreement, which transmission facilities are not incorporated into the CAISO Controlled Grid.” *Id.*

<sup>13</sup> *Cal. Indep. Sys. Operator Corp.*, 123 FERC ¶ 61,180 (2008), *order on further compliance*, 126 FERC ¶ 61,316 (2009).

transactions, CAISO's market software determined the priority order in which self-schedules would be curtailed using real-time market parameters known as penalty prices that were set forth in a business practice manual.<sup>14</sup> These penalty prices prioritized certain types of self-scheduled, price-taking transactions over others when the need for curtailment arose. Prior to 2021, CAISO's Tariff did not specify the scheduling priorities associated with wheeling through transactions.<sup>15</sup>

7. In August 2020, California and most of the western United States experienced an extreme heat wave that significantly affected demand for, and supply of, generation and resulted in CAISO instituting rolling electricity outages on August 14 and 15. Afterwards, CAISO, the California Public Utilities Commission (CPUC), and the California Energy Commission (CEC) performed a root cause analysis of the August 2020 events; CAISO's Department of Market Monitoring (DMM) issued a report on CAISO market performance during the events; and CAISO undertook an expedited stakeholder initiative to evaluate market enhancements to prepare for expected stressed system conditions in summer 2021, including considering whether changes were necessary to its existing scheduling priorities.<sup>16</sup>

8. Following the stakeholder discussions, CAISO filed Tariff revisions in April 2021 to modify load, export, and wheeling through scheduling priorities in the day-ahead and real-time market optimization process and establish related market rules.<sup>17</sup> CAISO stated that the Tariff revisions would ensure that, during constrained system conditions, CAISO could reliably and fairly manage transactions at the interties and internal transmission paths to meet its native load obligations, while continuing to provide access to external entities that also rely on the CAISO grid to serve their native load.<sup>18</sup>

9. CAISO proposed, on an interim basis through May 31, 2022, to establish a Priority Wheeling Through category of wheeling through self-schedule transactions with a

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<sup>14</sup> These penalty prices are set to specific values for different types of transactions to: (1) determine the conditions under which the market may relax a constraint or curtail a self-schedule; and (2) establish the market price when these events happen.

<sup>15</sup> *Cal. Indep. Sys. Operator Corp.*, 175 FERC ¶ 61,245, at P 6 (2021) (June 2021 Order).

<sup>16</sup> *Id.* PP 7-8.

<sup>17</sup> Docket No. ER21-1790-000. CAISO notes that wheeling through priorities were not a cause of the August 2020 events but were identified as potentially affecting CAISO's ability to serve native load. Transmittal at 15 n.32.

<sup>18</sup> June 2021 Order, 175 FERC ¶ 61,245 at PP 9, 10.

priority equal to self-scheduled imports needed to serve CAISO demand. Priority Wheeling Throughs had to be supported by a firm power supply contract to serve an external load serving entity's load throughout the calendar month and by monthly firm transmission the external load serving entity had procured under applicable open access tariffs for certain hours. Scheduling coordinators were required to notify CAISO of the megawatt (MW) quantity of the power supply contract supporting the wheeling through self-schedule and confirm that it met the eligibility requirements to support a Priority Wheeling Through 45 days prior to the applicable month. CAISO also proposed to perform a new process after the Hour-Ahead Scheduling Process (HASP) (post-HASP process) to allocate available transmission capacity *pro rata* between supply needed to meet CAISO load and Priority Wheeling Through transactions if certain transmission constraints arise. Wheeling through transactions that were not Priority Wheeling Through were categorized as non-Priority Wheeling Through and received a lower priority.<sup>19</sup>

10. In the June 2021 Order, the Commission found that CAISO's interim wheeling through proposal represented a just and reasonable and not unduly discriminatory or preferential prioritization of the use of CAISO's transmission system.<sup>20</sup> The Commission also found that the penalty pricing parameters used to determine the relative scheduling priorities in the CAISO market optimization software needed to be specified in the Tariff because they affect the conditions of transmission service on the CAISO grid.<sup>21</sup> On March 15, 2022, the Commission issued a rehearing order in which it continued to find that the interim proposal was just and reasonable and consistent with open access principles, including the native load priority principles enunciated in Order No. 888.<sup>22</sup>

11. In January 2022, CAISO proposed to extend the interim proposal for an additional two years so that market participants would have certainty regarding the rules for wheeling through priorities for summer 2022 and 2023 and sufficient time to make the necessary contractual arrangements. CAISO also stated that an extension would allow stakeholders to focus their efforts on developing a more durable framework for establishing wheeling through priority.<sup>23</sup> On March 15, 2022, the Commission issued an

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<sup>19</sup> *Id.* PP 11, 48-56.

<sup>20</sup> *Id.* PP 128-148.

<sup>21</sup> *Id.* PP 154-155.

<sup>22</sup> *Cal. Indep. Sys. Operator Corp.*, 178 FERC ¶ 61,180 (2022) (March 2022 Rehearing Order).

<sup>23</sup> CAISO, Tariff Amendment Filing, Docket No. ER22-906-000 (filed Jan. 27, 2022).

order accepting CAISO's proposal to extend the interim wheeling through Tariff provisions through May 31, 2024.<sup>24</sup> The Commission urged stakeholders and CAISO to continue working expeditiously toward developing a more permanent solution and directed CAISO to file quarterly informational reports to update the Commission on its progress toward establishing a long-term solution.<sup>25</sup>

## II. CAISO Proposal

12. In this filing, CAISO proposes to establish what it views as a durable framework for external load serving entities to request and obtain a monthly or daily Wheeling Through Priority, which guarantees transmission service on the CAISO interties to support wheeling through transactions at a scheduling priority equal to that of imports that serve CAISO load.<sup>26</sup> Under the proposal, obtaining Wheeling Through Priority would allow a scheduling coordinator to self-schedule Priority Wheeling Throughs during the term and hours of the priority up to the MW quantity of the priority and at the import and export scheduling points authorized under the priority.<sup>27</sup>

13. CAISO proposes related updates to its ATC calculation to set aside intertie capacity for native load, as discussed in greater detail below.<sup>28</sup> CAISO also proposes to retain, with some modifications, the existing post-HASP process to adjust or curtail Priority Wheeling Through transactions and imports needed to meet CAISO load *pro rata* under specified conditions. Under the modified post-HASP process, curtailments could occur only in stressed system conditions if there is (1) a transmission limitation on the intertie *and* (2) a power balance infeasibility due to an inability to serve load. Thus, a mere CAISO supply shortage would not trigger curtailments of Priority Wheeling Through transactions as is the case under the interim provisions.<sup>29</sup>

14. CAISO asserts that its proposal provides a just and reasonable approach to allocating scarce intertie capacity between the CAISO system and neighboring systems

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<sup>24</sup> *Cal. Indep. Sys. Operator Corp.*, 178 FERC ¶ 61,182 (2022).

<sup>25</sup> *Id.* P 29.

<sup>26</sup> CAISO states that it intends to submit a second filing in January 2024 that will propose an option for Wheeling Through Priority for a duration of one year or longer. Transmittal at 9-10.

<sup>27</sup> *Id.* at 4, 46.

<sup>28</sup> *Id.* at 4-5, 32-45.

<sup>29</sup> *Id.* at 4-6.

that is consistent with prior Commission decisions and recognizes the nature of CAISO's market, transmission service, and resource adequacy (RA) paradigm. CAISO contends that the proposed Wheeling Through Priority request process provides non-discriminatory access to entities seeking a monthly or daily Wheeling Through Priority, facilitates planning, and provides needed certainty because awarded Wheeling Through Priorities are unconditional and cannot be undone at a later point in time. CAISO states that its proposal also prices each Wheeling Through Priority in a manner that appropriately recognizes its value, particularly compared to non-Priority Wheeling Throughs, without having to overhaul CAISO's transmission rate design. Further, CAISO states that its proposal addresses some deficiencies in the interim and pre-interim wheeling through Tariff provisions, such as lack of a mechanism for setting aside transmission capacity for native load and native load growth, application of the same pricing structure for Priority and non-Priority Wheeling Throughs, allowance of an unlimited number of Priority Wheeling Throughs regardless of ATC limitations, and lack of ability to secure a priority for wheeling through transactions for a term shorter than one month.<sup>30</sup>

15. CAISO proposes two sets of Tariff revisions with different effective dates. The first set of Tariff revisions largely pertains to the new proposed processes and rules for calculating ATC and allowing scheduling coordinators to request and obtain in advance a monthly or daily Wheeling Through Priority to support their transactions. CAISO proposes to revise its existing Tariff Appendix L to calculate ATC on interties between the CAISO balancing authority area and its neighboring balancing authority areas to determine the transmission capacity available to award Wheeling Through Priorities and designate the revised version as new Appendix L-1 (Method to Assess Available Transfer Capability). CAISO also proposes to update Tariff section 23 (Transmission Capacity) with the processes and rules for accessing ATC. CAISO proposes to add a new section 26.1.4.5 (Charges for Wheeling Through Priorities), update congestion revenue rights crediting in section 36.9.2.1 (Prepayment of Wheeling Access Charge for Allocated CRRs), and add newly defined terms Wheeling Through Priority and Wheeling Through Priority Reseller in Appendix A. CAISO states that these Tariff provisions must be implemented prior to June 1, 2024 to provide time for CAISO and market participants to take the steps needed to implement the new Wheeling Through Priority prior to next summer. CAISO requests an effective date of November 1, 2023 for the first set of Tariff revisions.<sup>31</sup>

16. In the second set of Tariff revisions, CAISO proposes to remove part (z) in section 30.5.1 (General Bidding Rules) regarding wheeling through self-schedule

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<sup>30</sup> *Id.* at 7-8, 29-30.

<sup>31</sup> *Id.* at 2, 79-81.

requirements, update section 34.12.3 (Post-HASP Process), and revise the existing definition of Priority Wheel Through in Appendix A. CAISO also proposes to remove Appendix L, which is replaced by Appendix L-1 discussed above. CAISO requests waiver of the Commission's 120-day notice requirement to permit a June 1, 2024 effective date for the second set of Tariff revisions. CAISO states that good cause exists to grant the waiver because these revisions are an integral part of its proposal, and their approval will provide advance certainty to stakeholders regarding the Wheeling Through Priority pricing and ATC calculations that will replace the interim wheeling through rules upon their expiration.<sup>32</sup>

17. CAISO also proposes to retain the scheduling run priority provisions for Priority Wheeling Throughs and non-Priority Wheeling Throughs in Tariff sections 31.4 (CAISO Market Adjustments to Non-Priced Quantities in the Integrated Forward Market), 34.12 (CAISO Market Adjustment to Non-Priced Quantities in the Real-Time Market), 34.12.1 (Increasing Supply), and 34.12.2 (Decreasing Supply) that would otherwise expire on June 1, 2024. CAISO states that it must retain the same scheduling priorities to implement its proposed solution.<sup>33</sup>

18. CAISO requests that the Commission issue an order on all Tariff revisions by October 30, 2023, to provide important regulatory certainty for CAISO and market participants regarding the scheduling priorities and rules that will apply to wheeling through transactions that will be effective starting June 1, 2024. CAISO states that obtaining a Commission order by this date will also allow market participants to make the necessary contractual arrangements given the new rules and seek to obtain a monthly Wheeling Through Priority over the course of the subsequent 13-month period (including Summer 2024) in the monthly request window process.<sup>34</sup>

### **III. Notice and Responsive Pleadings**

19. Notice of CAISO's filing was published in the *Federal Register*, 88 Fed. Reg. 51,803 (Aug. 4, 2023), with interventions and protests due on or before August 18, 2023.

20. Timely motions to intervene were filed by: NRG Business Marketing LLC; Vistra Corp.; the California Department of Water Resources State Water Project; Northern California Power Agency; Modesto Irrigation District; the City of Santa Clara, California; Southern California Edison Company (SoCal Edison); Shell Energy North

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<sup>32</sup> *Id.*

<sup>33</sup> *Id.* at 2, 68.

<sup>34</sup> *Id.* at 2, 79-81.



America (US), L.P.; Calpine Corporation; Brookfield Renewable Trading and Marketing LP; and Imperial Irrigation District. The Public Utilities Commission of Nevada filed a notice of intervention.

21. Timely motions to intervene and comments or protests were filed by Powerex Corp. (Powerex); Western Power Trading Forum (WPTF); Electric Power Supply Association (EPSA); the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities); San Diego Gas & Electric Company (SDG&E); Pacific Gas and Electric Company (PG&E); NV Energy, Inc. (NV Energy);<sup>35</sup> Arizona Utilities;<sup>36</sup> Salt River Project; and CAISO's DMM. CPUC filed a notice of intervention and comments.

22. On September 5, 2023, CAISO and Six Cities filed answers. On September 7, 2023, SoCal Edison filed an answer. On September 18, 2023, Powerex filed an answer. On October 2, 2023, CAISO filed a reply to the SoCal Edison and Powerex answers.

#### **IV. Discussion**

##### **A. Procedural Matters**

23. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2022), the timely, unopposed motions to intervene and notices of intervention serve to make the entities that filed them parties to this proceeding.

24. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2022), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We accept the answers submitted by CAISO, Six Cities, SoCal Edison, and Powerex because they have provided information that assisted us in our decision-making process.

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<sup>35</sup> NV Energy submits its comments and protest on behalf of its utility subsidiaries, Nevada Power Company and Sierra Pacific Power Company.

<sup>36</sup> For purposes of this proceeding, Arizona Utilities include: Arizona Public Service Company; Salt River Project Agricultural Improvement and Power District (Salt River Project); Tucson Electric Power Company; UNS Electric, Inc.; and Arizona Electric Power Cooperative, Inc. Salt River Project submitted an identical protest under its own name.

## **B. Modifications to CAISO's ATC Calculation**

### **1. CAISO Proposal**

25. CAISO proposes to calculate ATC across the interties between the CAISO balancing authority area and its neighboring balancing authority areas monthly across a rolling 13-month horizon and daily across a seven-day horizon to derive the amount of transmission capacity available for entities seeking a monthly or daily Wheeling Through Priority. In contrast to the ATC calculation used in the CAISO market optimization, CAISO defines the ATC calculated across the interties for Wheeling Through Priorities as total transfer capability (TTC) less existing transmission commitments (ETComm)<sup>37</sup> less transmission reliability margin (TRM).<sup>38</sup>

#### **a. Existing Transmission Commitments – ETComm**

26. CAISO proposes to revise the definition of ETComm to include TOR and ETC (as is the case now), *as well as* transmission capacity for Wheeling Through Priorities and native load needs determined in accordance with proposed Appendix L-1, including native load growth in the applicable horizon. CAISO asserts that it is appropriate to include the transmission capacity already awarded Wheeling Through Priority in ETComm because such transmission capacity will have a scheduling priority that is the highest priority of new firm use, equal to the priority of CAISO demand, and because this transmission capacity will not be available for use by others.<sup>39</sup>

27. CAISO states that it will initially determine the amount of transmission capacity to serve native load needs at each intertie for each calendar month based on the highest MW quantity of total RA and non-RA import supply under contract dedicated to serving CAISO load serving entities' load as demonstrated by RA showings, and showings of historical contract information regarding non-RA import supply, at the intertie for that same calendar month during the previous two years. For example, in calculating the ETComm component of the ATC calculation for September 2024, CAISO will consider

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<sup>37</sup> We note that the Commission uses "ETC" in the *pro forma* OATT and its Order No. 888/890 precedent to refer to existing transmission commitments, whereas CAISO uses the term "ETComm" for this purpose in order to avoid confusion with the term "ETC" as used in the CAISO Tariff to refer to Existing Transmission Contracts.

<sup>38</sup> Transmittal at 31-35. The more generally applicable ATC calculation used in CAISO market optimization includes capacity benefit margin, which is set to zero; the scheduled net energy from imports and exports; and ancillary service capacity from imports. *Id.* at 34.

<sup>39</sup> *Id.*

the historical import volumes of RA and non-RA capacity under contract shown for September 2023 and September 2022 and will use the higher of the two values, subject to any subsequent adjustment for new contract information provided to CAISO for monthly updates.<sup>40</sup> CAISO contends that the proposed requirement to take the higher of the two values is justified because it accounts for the fact that procurement of RA and non-RA imports can vary from year to year.<sup>41</sup>

28. CAISO contends that using historical data to estimate native load needs at the interties best reflects the existing RA Tariff requirements whereby CAISO load serving entities primarily procure import supply in the month-ahead timeframe to meet the month-ahead RA showing requirements.<sup>42</sup> More specifically, because CAISO load serving entities are not required to show 100% of their system RA capacity for a given month until 45 days before that month, CAISO must rely on historical contract showings to forecast native load needs for a month, 13 months in advance.<sup>43</sup> CAISO states that there is no single standard or practice adopted by transmission providers in the West and nationwide for forecasting or estimating the amount of transmission capacity to set aside for native load needs on a forward basis. CAISO asserts that its proposed historical approach to estimating native load needs is in line with the range of approaches used by other transmission providers.<sup>44</sup>

29. CAISO contends that the inclusion of both RA and non-RA import supply data in its native load forecast is appropriate. CAISO asserts that this calculation methodology recognizes that many CAISO load serving entities rely on a small quantity of import supply under contract that is not shown on RA plans to serve their native loads. CAISO also notes that CPUC and local regulatory authorities may order additional procurement

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<sup>40</sup> *Id.* at 35-37.

<sup>41</sup> *Id.* at 39-40.

<sup>42</sup> Under CAISO's RA rules, load serving entities make annual and monthly filings to meet system, local, and flexible RA requirements. For annual filings, a load serving entity is required to demonstrate 90% of its system RA requirements for the five summer months of the coming compliance year, 100% of its local RA requirement for years one and two and 50% for year three, and 90% of its flexible RA requirement for all 12 months. For monthly filings, load serving entities must demonstrate 100% of their system and flexible RA requirements. There is no requirement that load serving entities procure 100% of their capacity a year in advance of the applicable month or even before the start of the calendar year. *Id.* at 12-14.

<sup>43</sup> *Id.* at 35-38.

<sup>44</sup> *Id.* at 37-38.

of non-RA capacity (above and beyond RA requirements) to ensure load serving entities can meet their service needs. CAISO also states that, historically, some municipal utilities have met their native load needs through non-RA imports because they could not obtain sufficient import capability and, therefore, the imports could not be considered RA under the CAISO Tariff. CAISO explains that the requirement under its calculation methodology to take the higher value for the same calendar month during the previous two years accounts for the fact that the procurement of RA and non-RA imports can vary from year to year due to various factors, including load forecasts, in-state hydroelectric power availability, changes in grid conditions, availability of transmission, changes in the availability of supply, sellers' decisions on where to sell their energy, and price competition, and mitigates the risk of setting aside insufficient capacity to serve native load.<sup>45</sup>

30. CAISO explains that the native load set aside in ETComm will include transmission capacity to serve expected native load growth in the 13-month horizon. CAISO states that it will calculate the amount of transmission capacity at each intertie set aside in ETComm to meet native load growth by: (1) comparing the CEC load forecast for the applicable future period to the forecasts used to set CAISO RA requirements for a similar period for the previous two years to determine an overall load growth amount; and (2) assigning a portion of this load growth to each intertie. CAISO asserts that this approach is consistent with Order No. 890 and Commission precedent, which does not impose a generally applicable test or standard for evaluating native load growth forecasts, but instead requires that transmission providers base native load growth forecasts on specific projections accompanied by supporting evidence.<sup>46</sup>

31. CAISO proposes two ways for it to adjust the calculation of native load needs reflected in ETComm based on more accurate and updated information. First, CAISO load serving entities will be required to notify CAISO of any new contracts for imports to serve their load that are not reflected by RA or non-RA contracts accounted for in the historical two-year period and attest whether such contracts alter the import contracts reflected in the historical two-year accounting (i.e., attest to whether the contracts are merely replacements for existing contracts or whether they are incremental to the already reported contracts). Second, CAISO states that it will update or "true up" the amount of capacity set aside in ETComm at each intertie following the month-ahead RA and non-RA showings to calculate updated ATC values for the month.<sup>47</sup>

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<sup>45</sup> *Id.* at 37-39.

<sup>46</sup> *Id.* at 40-41 (citing *Am. Elec. Power Serv. Corp.*, 101 FERC ¶ 61,384, at P 15 (2002) (*AEP*); *S. Co. Servs., Inc.*, 110 FERC ¶ 61,379, at P 15 (2005)).

<sup>47</sup> *Id.* at 41-42.

32. CAISO emphasizes that, under the proposal, holders of a Wheeling Through Priority cannot lose a previously awarded priority if actual load serving entity contract showings in the month-ahead timeframe exceed the ATC previously set aside for native load based on historical showings. CAISO states that if the amount of transmission capacity set aside to meet native load needs plus TRM is less than the most recent showings of RA plans, then the ATC at the intertie that has not been awarded will be reduced to account for the additional RA and non-RA import showings that are unrelated to any change in the planning reserve margin. If no ATC remains because it has been awarded in prior months' request windows, and TRM cannot accommodate all native load needs, the amount of transmission capacity set aside will remain as originally calculated by CAISO.<sup>48</sup>

**b. Transmission Reliability Margin – TRM**

33. Under the current Tariff, CAISO can use the TRM to account for specified, North American Electric Reliability Corporation (NERC)-approved components of uncertainty.<sup>49</sup> Here, CAISO proposes to update these provisions to include two additional NERC-approved components of uncertainty: (1) aggregate load forecast uncertainty; and (2) variations in generation dispatch. CAISO states its proposed revisions enable it to establish and increase or decrease TRM values across all applicable horizons, including monthly and daily. Each new component of uncertainty will be calculated as a percentage of TTC pursuant to the TRM Implementation Document. CAISO states that if it reduces the TRM value in a given horizon, additional ATC would become available in that horizon.<sup>50</sup>

34. CAISO states that the proposed Tariff provisions will allow it to adjust the application of TRM on specific interties to account for uncertainty consistent with NERC Reliability Standard MOD-008-1 and improve the accuracy of the ATC calculation.<sup>51</sup>

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<sup>48</sup> *Id.* at 42-43.

<sup>49</sup> CAISO's current TRM Implementation Document accounts for forecast uncertainty in transmission system topology, allowances for parallel path impacts, and allowances for simultaneous path interactions. *See* TRM Implementation Document, <http://www.caiso.com/Documents/TransmissionReliabilityMarginImplementationDocument.pdf>.

<sup>50</sup> Transmittal at 43-44.

<sup>51</sup> Requirement R1.1 of NERC Reliability Standard MOD-008-1 requires each transmission operator to prepare and keep current a TRM Implementation Document that includes several factors of uncertainty that should be considered, as a minimum, in deriving the TRM value. These factors include but are not limited to: variations in generation dispatch, aggregate load forecast, and forecast uncertainty in transmission

CAISO states that, because of the need to respond rapidly to evolving system conditions in the Western United States, and consistent with the practices of transmission providers nationwide, it will include additional implementation details in the TRM Implementation Document, rather than in the Tariff, and discuss the details with stakeholders to provide the appropriate rationale, justification, and transparency.<sup>52</sup>

**c. Accounting for Capacity Procurement Mechanism (CPM) Imports**

35. CAISO proposes to account for CPM<sup>53</sup> imports in its ATC calculations in two ways depending on the reason for the CPM designation. If CAISO designates import capacity under the CPM to address an annual or monthly RA deficiency, CAISO will first utilize available ATC for all or part of the term and, if no ATC is available, then it will utilize the TRM. If CAISO designates import capacity under the CPM for any reason other than to address an annual or monthly RA deficiency, CAISO will first utilize the available CPM import capacity under the TRM and, if no TRM capacity is available, CAISO will utilize available ATC for the term of the CPM designation, or for part of the term, but only to the extent ATC is available at the time of the designation. Thus, under CAISO's proposal, new CPM import designations cannot displace or undo any Wheeling Through Priorities that have already been awarded.<sup>54</sup>

**2. Comments and Protests**

36. Powerex, NV Energy, Arizona Utilities, and EPSA argue that CAISO's proposal for calculating ATC is unduly preferential to native load and will result in CAISO setting aside more intertie capacity than necessary to reliably serve CAISO load. As such,

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system topology (including, but not limited to, forced or unplanned outages and maintenance outages).

<sup>52</sup> Transmittal at 44. Consistent with the *pro forma* OATT, Attachment C(d), for TRM, CAISO includes in proposed Tariff Appendix L-1 (i) its definition, (ii) its calculation methodology, (iii) databases used in its assessments, and (iv) conditions under which it will use TRM.

<sup>53</sup> CPM is a capacity backstop procurement mechanism that establishes a process for CAISO to remedy unresolved RA deficiencies and/or meet specified reliability needs. CAISO, CAISO eTariff, § 43A (Capacity Procurement Mechanism) (0.0.0). CAISO uses its CPM tool to secure supply to remedy deficiencies in RA showings, serve load in stressed system conditions, maintain reliability, and although infrequent, procure CPM supply from imports at the interties. Transmittal at 56.

<sup>54</sup> *Id.* at 56-58.

protestors claim that CAISO's proposal conflicts with the Commission's open access principles and precedent. Powerex highlights that data provided by CAISO shows that the availability of intertie capacity for Priority Wheeling Throughs would be much lower under this proposal than the volume actually available under the current interim measures. Powerex contends that CAISO has not justified the inclusion of both RA and non-RA imports in its set aside of transmission capacity for native load. Powerex asserts that, under the OATT framework, supply (such as non-RA imports) delivered to native load does not automatically warrant a preferential set aside. Further, Powerex argues that CAISO's proposal fails to provide clear criteria needed to determine whether the commingling of historical and forward-looking information produces a more accurate measure of native load needs, or instead has the potential to result in an unduly preferential set-aside.<sup>55</sup>

37. NV Energy argues that there appears to be lack of clarity in how CAISO's ATC values are established. NV Energy argues that CAISO should not be permitted to apportion projected load growth without a plan of how that load growth would be served by load serving entities. Further, NV Energy questions whether ATC should be withheld for load growth since the proposal only covers a 13-month period. Thus, NV Energy recommends that the Commission require CAISO to report on the amount of ATC withheld for load growth and whether that load growth materializes.<sup>56</sup> NV Energy also asserts that CAISO load serving entities, in addition to external users with Wheeling Through Priority, should be required to timely notify CAISO of any modifications to or terminations of contracts that affect their use of import capacity so that ATC calculations can be updated accordingly, and that CAISO should be required to reduce ETComm if a CAISO load serving entity's historic contract is cancelled or modified.<sup>57</sup>

38. Arizona Utilities assert that CAISO's proposal to release ATC for Wheeling Through Priority only after monthly contract requirements are established for native load priority is discriminatory and effectively provides wheeling through transactions a lower priority than is granted to native load. Additionally, Arizona Utilities contend that the proposal unfairly preferences CAISO load serving entities because only CAISO load serving entities can procure incremental transmission capacity by providing updated import contracts in advance of calculating the monthly ATC. According to Arizona Utilities, this will allow CAISO load serving entities to increase their native load reservations while reducing the remaining ATC. Further, Arizona Utilities contend that, by allowing replacement capacity contracts, CAISO may double count native load

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<sup>55</sup> Powerex Protest at 13-14.

<sup>56</sup> NV Energy Protest at 26-27.

<sup>57</sup> *Id.* at 25-26.

transmission needs and may also be using CPM to secure additional capacity for load uncertainty, which would result in CAISO setting aside more transmission capacity than is necessary to reliably serve load.<sup>58</sup>

39. WPTF and EPSA argue that CAISO's proposed calculation of ATC will set aside intertie capacity for native load without requiring CAISO load serving entities to demonstrate in a timely manner that they have contracted firm resources, whereas external load serving entities can only secure Wheeling Through Priority if they meet the power supply contract requirement. WPTF argues that this bifurcation of selection criteria between CAISO load serving entities and non-CAISO load serving entities is unduly preferential and contravenes the *pro forma* OATT requirement for Designated Network Resources to have resource contracts.<sup>59</sup> EPSA argues that the proposed revisions will allow CAISO to reserve transmission capacity not supported by a long-term contract and will also allow CAISO to reserve TRM for imports without long-term contracts under the guise of uncertainty. According to EPSA, reserving transmission capacity not supported by a long-term contract contravenes the requirements reiterated in Order No. 890 that load network service can only be used for off-system purchases that are sufficiently identified.<sup>60</sup>

40. CPUC states that it supports many elements of CAISO's proposed wheeling through framework but requests further clarification regarding: (1) whether CAISO intends to conduct power flow modeling this fall that accounts for internal transmission constraints and how any limitations revealed by the modeling would affect CAISO's initial ATC calculation; and (2) whether CAISO intends to consider recurring historical outages and derates at several interties and how these outages and derates might affect CAISO's calculation of ATC.<sup>61</sup>

41. PG&E supports CAISO's proposal but cautions that the introduction of an ATC reservation process must not impact the continued delivery of internal resources and import generation needed to serve native load. PG&E requests monitoring of the modeling of internal constraints and power flow studies to confirm the conclusions of CAISO's ATC reservation process design.<sup>62</sup>

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<sup>58</sup> Arizona Utilities Comments at 9-10.

<sup>59</sup> WPTF Protest at 7-8.

<sup>60</sup> EPSA Protest at 5 (citing Order No. 890, 118 FERC ¶ 61,119 at P 1476).

<sup>61</sup> CPUC Comments at 7-16.

<sup>62</sup> PG&E Comments at 1-2.



42. DMM supports CAISO's proposal for accounting for the needs of native load in the ATC calculation, which is similar to DMM's proposed approach, with added enhancements that further incorporate CAISO load needs and related uncertainty.<sup>63</sup>

43. NV Energy, Powerex, WPTF, EPSA, and Arizona Utilities question CAISO's proposed calculation of TRM. NV Energy requests that if CAISO's proposal is approved, the Commission should mandate that CAISO report on TRM and the reasons for adjustments.<sup>64</sup> Powerex asserts that CAISO's proposal lacks sufficient detail regarding how it will calculate the additional transmission it will withhold through increases in TRM, and that a clear delineation of the appropriate determination of TRM is necessary to evaluate the reasonableness of CAISO's proposal.<sup>65</sup> WPTF argues that the potential margin for TRM is arbitrary, as well as potentially duplicative of the RA program planning reserve margin, and may result in functionally zero available ATC after ETCComm and TRM are considered.<sup>66</sup> Arizona Utilities contend that there also appears to be flexibility built into the TRM that enables CAISO load serving entities to adjust their capacity need by simply updating their TRM when entering a long-term contract, which is not an option available to external load serving entities.<sup>67</sup>

44. In contrast, SDG&E believes CAISO's proposal would be improved by increasing the TRM capacity reservation in the 13 months-ahead and up to the one month-ahead windows.<sup>68</sup> PG&E requests that CAISO monitor and analyze the magnitude of the TRM for different time horizons.<sup>69</sup>

45. DMM supports the use of a TRM that can change over time to reflect, among other things, changing levels of load forecast uncertainty and uncertainty in transmission system topology on different time horizons. DMM believes that a sufficiently flexible TRM approach is essential to ensure the reliability of the CAISO balancing area under

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<sup>63</sup> DMM Comments at 5-6.

<sup>64</sup> NV Energy Protest at 27-28.

<sup>65</sup> Powerex Protest at 14-15.

<sup>66</sup> WPTF Protest at 11-12.

<sup>67</sup> Arizona Utilities Comments at 9.

<sup>68</sup> SDG&E Comments at 3-4.

<sup>69</sup> PG&E Comments at 1-2.

the proposed ATC calculation, which does not directly consider internal transmission flow impacts.<sup>70</sup>

### 3. Answers

46. Six Cities assert that protestors' arguments about supposed conflicts with the Commission's open access policies and precedent are the same objections that these parties raised, and the Commission rejected, in reference to the interim wheeling through measures. Six Cities also assert that, contrary to protestors' arguments, CAISO's ATC calculation methodology will increase reliability and certainty even though it may translate to a reduction in scheduling priority available for wheeling through transactions. Six Cities opine that the interim wheel-through priorities framework currently in effect concerningly makes an unlimited quantity of high scheduling priority available for wheeling purposes, which increases reliability risk and curtailment uncertainty for wheeling customers as well as CAISO native load.<sup>71</sup>

47. Six Cities concur with other comments and protests regarding areas where CAISO's proposal would benefit from ongoing reporting and analysis. First, Six Cities agree with the need for consideration of internal constraints through a robust modeling process to ensure that CAISO native load needs can be fully addressed and that quantities of ATC made available for wheeling purposes are accurate and can be reliably supported by the CAISO system. Second, Six Cities share SDG&E's concern that TRM levels may need to be higher than projected to provide adequate capacity to meet forecasted load levels. Six Cities assert that, while elements of CAISO's proposed methodology for determining ATC should be subject to continued monitoring and refinement going forward, there is no merit to arguments that CAISO's proposal should be rejected as inconsistent with the Commission's open access policy.<sup>72</sup>

48. CAISO disputes protestors' claims that its proposed native load set aside provisions and associated calculation of ATC are unduly preferential or discriminatory, or otherwise conflict with the Commission's open access policies and precedent. CAISO argues that these claims of discriminatory treatment ignore the important role of native load protections in the Commission's open access policies. Indeed, CAISO states, the ability of transmission providers to include in their tariffs certain protections to ensure reliable service to native load customers is one of the core elements of the Commission's open access policies. Further, CAISO highlights that the Commission has previously held that the CAISO Tariff can appropriately account for differences between external

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<sup>70</sup> DMM Comments at 5-7.

<sup>71</sup> Six Cities Answer at 8-11, 16.

<sup>72</sup> *Id.* at 13-16.

load serving entities and CAISO load serving entities, which are entirely dependent on the CAISO grid.<sup>73</sup> Thus, CAISO asserts that the Commission should reject objections to CAISO's proposal to reserve capacity for native load before making it available in ATC.<sup>74</sup>

49. CAISO also defends its 13-month ATC calculation proposal as consistent with the horizon other transmission providers in the Western Interconnection use to calculate ATC, as well as with NERC Reliability Standard MOD-001-1a. CAISO contends that in approving this reliability standard, the Commission found that looking out 13 months is appropriate because the 13-month point is the boundary of the operational horizon, beyond which the planning horizon begins.<sup>75</sup>

50. CAISO likewise asserts that the inputs it proposes to use to forecast native load needs, which include data from the Commission-accepted RA program as well as contract information provided to CAISO, are just and reasonable for the reasons already stated in its July 28, 2023 transmittal. CAISO argues that Powerex fails to rebut CAISO's explanations of why its forecast of native load needs is just and reasonable and characterizes Powerex's protests on this point as criticisms of the RA program, which is beyond the scope of this filing. CAISO also points out that the mere fact that its ATC calculation may result in less intertie capacity available for Priority Wheeling Throughs does not mean that the proposal is unduly discriminatory.<sup>76</sup>

51. CAISO argues that, contrary to NV Energy's claims that CAISO's approach omits a reasonable plan to meet native load growth, CAISO's proposal satisfies the Commission's requirements for capturing native load growth in ATC calculations and recognizes the requirements of California's RA and Integrated Resource Plan processes. CAISO notes that the Commission has held that native load growth forecasts must be "based on specific projections of native load growth that are accompanied by specific evidence."<sup>77</sup> CAISO states that its native load growth forecasts are based on forecasts from the CEC, which serve as the basis for establishing annual RA requirements and the

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<sup>73</sup> CAISO September 5 Answer at 20-21 (citing *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at PP 766-69 (2006); *order on reh'g*, 119 FERC ¶ 61,076, at PP 369-71 (2007)).

<sup>74</sup> *Id.* at 23-25.

<sup>75</sup> *Id.* at 22 (citing *Mandatory Reliability Standards for the Calculation of Available Transfer Capability*, Order No. 729, 129 FERC ¶ 61,155, at P 278 (2009)).

<sup>76</sup> *Id.* at 25-26.

<sup>77</sup> *Id.* at 29 (quoting *AEP*, 101 FERC ¶ 61,384 at P 15).

CPUC Integrated Resource Plan procurement requirements, and also inform CAISO's transmission planning process.<sup>78</sup>

52. CAISO denies that the submission of replacement contracts by load serving entities will result in double counting, as asserted by Arizona Utilities, because CAISO will require load serving entities to attest to whether these contracts replace or are incremental to contracts already accounted for in the historical two-year data. CAISO also highlights that it will true up the capacity set aside for native load based on actual RA contract showings, which should mitigate concerns about double counting.<sup>79</sup> In response to NV Energy's claim that CAISO load serving entities are not obligated to notify CAISO of contract terminations, CAISO highlights that its proposal does require CAISO load serving entities to notify CAISO in advance of CAISO establishing the initial ATC calculation of any import contracts during the historical period that have terminated and that the load serving entity will not replace at that intertie. CAISO objects to NV Energy's request for further notifications throughout the 13-month process and subsequent reductions in ETComm as a result of any such terminations because, as CAISO argues, requiring such reductions before monthly RA plans are submitted is fundamentally at odds with California's RA program and would prevent CAISO from reliably serving its native load.<sup>80</sup>

53. In response to CPUC's requests for clarification, CAISO confirms that it will undertake an annual assessment of the internal transmission constraints and will account for outages and derates in its calculation of ATC. CAISO states that it will undertake its assessment of the internal transmission system and internal constraints using analyses consistent with good utility practice. CAISO states that it does not need to conduct power flow modeling to determine if a constraint is binding and that it will leverage existing studies and assessments to test the robustness of the system under different conditions to support imports and wheeling through transactions.<sup>81</sup>

54. Powerex again challenges CAISO's proposed method for determining the amount of intertie capacity to set aside for native load before it makes ATC available for Wheeling Through Priority. Powerex contends that any such set aside must be based on transmission capacity required to deliver specific physical supply to serve specific native load by specific load serving entities. Powerex argues that CPUC's comments on the need for CAISO to consider congestion on its internal transmission system illustrate the

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<sup>78</sup> *Id.* at 28-31.

<sup>79</sup> *Id.* at 25-26.

<sup>80</sup> *Id.* at 77-80.

<sup>81</sup> *Id.* at 11, 39-41.

point that CAISO's estimates of native load needs are speculative and based on "assumptions about the quantity and location of supply that CAISO load serving entities may collectively eventually need to procure."<sup>82</sup> Powerex denies that it is advocating for changes to the California RA program, but also asserts that the Commission should not be compelled to compromise open access to suit the design of the RA framework.<sup>83</sup>

55. Powerex acknowledges that, like CAISO, some other transmission providers use load forecasts in their determination of transmission commitments for native load, but points out that these other forecasts are developed and submitted by the individual load serving entities seeking the transmission for their native load. In contrast, according to Powerex, CAISO's proposal is not based on a detailed and specific multi-year projection of resource procurement submitted by each load serving entity. Further, Powerex asserts that CAISO fails to support its core assumption that prior imports to serve CAISO load are a reliable predictor of such imports in the future, nor has it sought more detailed information on procurement needs from individual load serving entities seeking to avail themselves of the native load set aside.<sup>84</sup>

56. Powerex argues that CPUC's concerns about internal transmission constraints are unfounded. Powerex notes that CAISO evaluated internal transmission capacity in the stakeholder process that resulted in the instant proposal and found no threats to reliability even if the system needs to accommodate large quantities of imports and wheel throughs.<sup>85</sup>

57. In response to arguments against the TRM component of CAISO's proposal, CAISO defends its proposed revisions to its TRM calculation. CAISO states that, as required by NERC Reliability Standard MOD-008-1, CAISO will maintain a TRM Implementation Document that contains (1) the identification of each of the components of uncertainty used in establishing TRM and a description of how each of those components is used to establish a TRM value, (2) the description of the method used to allocate TRM across ATC paths or flowgates, and (3) the identification of the TRM calculation used in certain time periods. Moreover, in response to arguments by WPTF and SDG&E regarding the TRM percentage, CAISO explains that it does not propose to set any specific level of TRM and avers that it will establish the level of TRM based solely on the NERC-approved uncertainty components set forth in the TRM-related Tariff provisions, as modified by its proposal here, and in its TRM Implementation

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<sup>82</sup> Powerex Answer at 11-12 (citing CPUC Comments at 10-11).

<sup>83</sup> *Id.* at 12.

<sup>84</sup> *Id.* at 13.

<sup>85</sup> *Id.* at 14-16.

Document. CAISO states that it will ensure that it does not double count in TRM anything included in ETCComm (or anything else in the components of the ATC calculation).<sup>86</sup>

58. In its September 5 answer, CAISO argues that protestors offer no specifics on how CAISO's ability to set aside transmission capacity for native load and to include TRM for permitted uncertainty may result in double counting of capacity. CAISO asserts that the native load set aside in the ETCComm is based on supply contracts procured by load serving entities to meet their RA obligations while TRM is an amount CAISO, not load serving entities, sets aside for specified types of uncertainty consistent with NERC reliability standards.<sup>87</sup> Further, CAISO states that its proposed Tariff provisions on the calculation of TRM are at least as detailed as the TRM provisions contained in the tariffs of other ISOs and RTOs.<sup>88</sup> Therefore, CAISO asserts, there is no basis for the claims that CAISO has not provided sufficient detail regarding TRM in proposed Appendix L-1.<sup>89</sup>

59. In response to EPSA's claim that CAISO will reserve TRM for imports without long-term contracts for uncertainty in alleged contravention of a requirement in Order No. 890 that load network service only can be used for off-system purchases that are sufficiently identified, CAISO argues that no rule requires TRM to be supported by long-term contracts. Rather, CAISO asserts that the referenced paragraph in Order No. 890 concerns only what off-system resources network transmission customers can count as network resources and has nothing to do with calculation of TRM.<sup>90</sup>

60. In response to requests that the Commission direct CAISO to report on TRM adjustments, CAISO states that there is no need for such a Commission directive because CAISO already proposes to provide transparency on these matters.<sup>91</sup>

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<sup>86</sup> CAISO September 5 Answer at 32-38.

<sup>87</sup> *Id.* at 34-38.

<sup>88</sup> *Id.* at 36, n. 77 (comparing CAISO Tariff appendix L-1, section L.1.5, with MISO Tariff, appendix C, section 3, PJM OATT, appendix C, at section entitled "Treatment of Transmission Reliability Margin (TRM)," and SPP Tariff, appendix C, section 5).

<sup>89</sup> *Id.* at 32-39.

<sup>90</sup> *Id.* at 37.

<sup>91</sup> *Id.* at 38.

61. In response to Arizona Utilities' contention that CAISO load serving entities can update their TRM simply by entering a long-term contract, CAISO states that CAISO load serving entities do not have a TRM and it is CAISO, not the load serving entities, that determine TRM on the CAISO controlled grid.<sup>92</sup>

62. In its October 2 answer, CAISO contends that the Commission should reject Powerex's continued argument that capacity set aside for native load needs must be based on upstream transmission capacity required to deliver specific physical supply for the reasons already stated in its July 28 filing.<sup>93</sup> Moreover, CAISO asserts that its proposal reasonably considers import contracts during the past two years, allows CAISO to update the historical data for more accurate projections, and releases any excess capacity following the month-ahead contract showings.

#### **4. Commission Determination**

63. We find CAISO's proposed revisions to its calculation of ATC to be just and reasonable and not unduly discriminatory or preferential. As a threshold matter, we find no merit in any suggestion by protestors that CAISO is not entitled to set aside intertie capacity that is needed to serve CAISO load, or that it is unduly discriminatory in principle for CAISO to reserve this capacity for native load before making ATC available to external load serving entities. One of the core elements of the Commission's open access policies is the ability of transmission providers to include in their tariffs certain protections to ensure reliable service to native and network load customers. Order No. 888 establishes that public utilities may reserve existing transmission capacity for native load and reasonably foreseeable network transmission customer load growth.<sup>94</sup> Order No. 890 found that the native load priority established in Order No. 888 struck an appropriate balance between the transmission provider's need to meet its native load obligations and the need of other entities to obtain service to meet their own obligations.<sup>95</sup>

64. Pursuant to the Commission's open access policies, transmission providers can use ATC to determine the amount of capability available in the transmission network to

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<sup>92</sup> *Id.* at 32, n.65.

<sup>93</sup> CAISO October 2 Answer at 17-23 (citing Transmittal at 70-76).

<sup>94</sup> Order No. 888, FERC Stats. & Regs. ¶ 31,036 at 31,745.

<sup>95</sup> Order No. 890, 118 FERC ¶ 61,119 at P 107.

accommodate requests for transmission service.<sup>96</sup> Specifically, the Commission explained that ATC is derived by:

Modeling the system to establish TTC [total transfer capability], expressed in terms of contract paths or flowgates, and reducing that figure by existing transmission commitments (i.e., ETC), a margin that recognizes uncertainties with transfer capability (i.e., TRM), and a margin that allows for meeting generation reliability criteria (i.e., CBM).<sup>97</sup>

65. In the June 2021 Order, the Commission recognized that CAISO had not, to date, “reserved transmission capacity for load in CAISO’s balancing authority in its calculation of available transmission capacity” because “CAISO’s market operates under a different paradigm in which it is not possible to reserve transmission capacity at all.”<sup>98</sup> The Commission nevertheless emphasized that nothing in Order Nos. 888 or 890 limits a transmission provider’s ability to adopt protections for native load at some future point.<sup>99</sup> CAISO opted to avail itself of an ATC calculation so that it can determine how much intertie capacity is available for use by external load serving entities. Thus, so long as CAISO’s method for setting aside intertie capacity for native load is consistent with the requirements of Order Nos. 888 and 890 and provides open access to external users, we find that CAISO can avail itself of this protection, even though it had not opted to do so in the past. As discussed below, we find that CAISO’s proposal allocates its intertie capacity in a just and reasonable and not unduly discriminatory or preferential manner that satisfies the requirements of Order Nos. 888 and 890 and accords with the Commission’s open access principles.

66. We also find that CAISO’s proposed use of historical import data in its calculations of ETComm across a 13-month horizon constitutes a reasonable method for estimating its existing transmission commitments to reliably serve native load. We find that using historical data to estimate the transmission capacity at the interties needed to reliably serve native load aligns with the existing CAISO load serving entities’ practice whereby import supply is procured primarily in the month-ahead timeframe to meet the month-ahead RA detailed showings.<sup>100</sup> CAISO explains that it cannot count only the capacity already under RA contract for the entire next year when it performs its estimate

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<sup>96</sup> *See id.* P 2.

<sup>97</sup> *Id.* P 209.

<sup>98</sup> June 2021 Order, 175 FERC ¶ 61,245 at P 144.

<sup>99</sup> *Id.* P 145.

<sup>100</sup> Transmittal at 38.



of native load needs at the interties for the upcoming 13 months because the actual procurement of imports does not generally occur until closer to the month in which the capacity will be needed. CAISO also explains that it cannot rely solely on the RA procurement obligations since those amounts do not specify what proportion will be served by generation within CAISO and what amount will be supplied by imports. Further, although historical data will be used to derive the initial estimate, the ATC calculation will still be adjusted in the monthly and daily horizon based on the actual RA showings, which could result in the release of additional ATC for use by external entities.<sup>101</sup>

67. We likewise find CAISO's proposal to use the historical volume of non-RA imports – in addition to RA imports – in its calculations of ETComm over a 13-month horizon to be just and reasonable and disagree with Powerex's protests on this issue. As noted by CAISO,<sup>102</sup> CPUC and other regulatory authorities can, and do, direct load serving entities to procure additional capacity that may not be counted as RA capacity but would still be needed to reliably serve native load. Also, CAISO states that some load serving entities have met, and currently meet, their native load needs through a percentage of non-RA imports because they cannot obtain RA import capability allocation for 100% of their import entitlements, which is a requirement for capacity to be considered RA under the CAISO Tariff. In other words, this additional non-RA capacity is needed to reliably serve CAISO load, which is the central purpose of the native load set aside, regardless of whether it is labeled RA or non-RA. Thus, we find that it is appropriate for CAISO to include these non-RA amounts in its native load set aside.

68. We find no merit in WPTF's and EPSA's arguments that CAISO's proposal is not consistent with Order No. 890 because it permits CAISO to set aside transmission capacity, either in ETComm or by way of the TRM, for native load that is not supported

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<sup>101</sup> Open Access Technology International, Inc. (OATI), who performed a technical evaluation of CAISO's proposal, states that CAISO load serving entities' loads may be comparable to network integration transmission service loads served by other transmission providers in the Western United States, referencing Bonneville Power Administration, Idaho Power Company, and Salt River Project. OATI explains that these transmission providers rely on a native load forecast method that involves commensurate generation assumptions informed by designated and forecasted resources, and as such, their methods are not dissimilar to CAISO's use of historical data for RA contracts to serve CAISO load serving entities along with non-RA contracted capacity supply allocated to the transmission paths from external balancing entities. OATI Opinion (Attachment G to CAISO Filing) at 7-8.

<sup>102</sup> Transmittal at 37-38.

by a resource-specific, long-term contract. First, the Order No. 890 paragraph cited by EPSA in support of its assertion deals solely with the information required for the designation of an off-system resource and does not implicate the calculation of either ATC or TRM.<sup>103</sup> More importantly, nothing in Order Nos. 888 or 890 establishes the type of contract requirement claimed by WPTF and EPSA for purposes of determining ATC or TRM.

69. We are not persuaded by protestors' concerns about how CAISO will account for load growth in determining the value of ETComm for its ATC calculations. The Commission has not adopted a generally applicable test or standard for evaluating transmission providers' native load growth forecasts.<sup>104</sup> Rather, as CAISO notes, the Commission has held that native load forecasts must be "based on specific projections of native load growth that are accompanied by supporting evidence."<sup>105</sup> Accordingly, we agree with CAISO that its proposed method of forecasting load growth is consistent with this precedent because it will base the forecasts on the CEC load forecasts already used to establish the applicable RA requirements. Further, the CPUC Integrated Resource Plan is the 10-year look ahead process in which the CPUC sets forth a plan for ensuring that load will be served reliably. Thus, contrary to NV Energy's assertion, we find that CAISO's proposal to account for native load growth in ETComm is just and reasonable and consistent with the Commission's open access policies and precedent.

70. We find no merit in protests concerning CAISO's proposed requirements for replacement contracts or the modification and termination of existing contracts. We disagree with Arizona Utilities that allowing CAISO load serving entities to submit replacement contracts introduces the risk of double counting transmission capacity needed to serve CAISO load. This argument overlooks the fact that CAISO also proposes a requirement for the load serving entity to attest whether that contract merely replaces capacity already counted by CAISO or whether it is incremental to the historical contract amount.<sup>106</sup> We are likewise not persuaded by NV Energy's contention that CAISO should require additional notifications by its load serving entities or subsequent reductions in ETComm between the initial 13-month ahead determination and the monthly true-up process. We find that CAISO's proposal aligns its adjustments to its ETComm calculation with the existing timeline for RA procurement and showings.

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<sup>103</sup> Order No. 890, 118 FERC ¶ 61,119 at P 1476.

<sup>104</sup> *Id.* P 107.

<sup>105</sup> *AEP*, 101 FERC ¶ 61,384 at P 15.

<sup>106</sup> CAISO September 5 Answer at 25; CAISO, CAISO eTariff, Proposed § 23.3.3 (New Contract Information) (0.0.0).

Because we find CAISO's proposal to be just and reasonable, we need not consider alternative proposals<sup>107</sup> and, therefore, reject NV Energy's requested requirement.

71. With regard to CAISO's proposed TRM calculation, we find that protestors' concerns, much like the protests concerning general ATC calculation, focus largely on subjective perceptions of whether CAISO is reserving "too much" or "too little" for native load, rather than whether CAISO's proposal adheres to the applicable standards, including NERC standards and Order No. 890 precedent. In Order No. 890, the Commission amended the *pro forma* OATT to increase nondiscriminatory access to the grid by eliminating the wide discretion that transmission providers had in calculating ATC and also to increase transparency in the rules applicable to planning and use of the transmission system.<sup>108</sup> Regarding the use of TRM, the Commission specified that:

[t]ransmission providers may set aside TRM for: (1) load forecast and load distribution error; (2) variations in facility loadings; (3) uncertainty in transmission system topology; (4) loop flow impact; (5) variations in generation dispatch; (6) automatic sharing of reserves; and (7) other uncertainties as identified through the NERC reliability standards development process.<sup>109</sup>

72. To increase transparency, the Commission also required "each transmission provider to make available all underlying documentation, including work papers and load flow base cases, used to determine TRM, to any transmission customer and load serving entity within its control area."<sup>110</sup> Further, pursuant to Attachment C of the *pro forma* OATT (as amended by Order No. 890),

For TRM, a Transmission Provider shall explain: (i) its definition of TRM; (ii) its TRM calculation methodology (e.g., its assumptions on load forecast errors, forecast errors in system topology or distribution factors and loop

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<sup>107</sup> See, e.g., *Oxy USA, Inc. v. FERC*, 64 F.3d 679, 691 (D.C. Cir. 1995) (*Oxy USA*); *City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) (*City of Bethany*) (when determining whether a rate was just and reasonable, the Commission properly did not consider "whether a proposed rate schedule is more or less reasonable than alternative rate designs").

<sup>108</sup> Order No. 890, 118 FERC ¶ 61,119 at P 2.

<sup>109</sup> *Id.* P 273.

<sup>110</sup> *Id.* P 276.

flow sources); (iii) the databases used in its TRM assessments; (iv) the conditions under which the transmission provider uses TRM.

The Commission emphasized, however, that “ETC should not be used to set aside transfer capability for any type of planning or contingency reserve, which are to be addressed through CBM and TRM.”<sup>111</sup> In other words, the Commission in Order No. 890 prohibited the double counting of uncertainty in *both* ETC and TRM.

73. Beyond these requirements, the Commission has not placed additional restrictions or conditions on the use of TRM, and has not specified how to categorize various types of uncertainty, so long as there is no double counting. Thus, based on the proposed Tariff language and CAISO’s representations, we find that CAISO will appropriately account for uncertainty in its TRM. First, we note that the two new categories of uncertainty that CAISO proposes to add to the TRM, aggregate load forecast uncertainty and variations in generation dispatch, are permissible uses of TRM under Order No. 890.<sup>112</sup> Both categories fall within the permissible use of TRM specified by the Commission in Order No. 890 as “uncertainties... identified through the NERC reliability standards development process.”<sup>113</sup> Therefore, we find that it is just and reasonable for CAISO to account for these types of uncertainty in determining TRM.

74. We also find that CAISO’s proposed methodology should avoid impermissible double counting of uncertainty in both its ETComm and TRM. Although the historical contract portion of CAISO’s ETComm calculation inherently builds in some load uncertainty because RA procurement obligations include a planning reserve margin, the ETComm also accounts for native load growth, which will be based on CEC forecasts. The CEC forecasts themselves may contain inaccuracies or errors, and the “aggregate load forecast uncertainty” component of TRM under NERC Reliability Standard MOD-008-1, may be used to account for these inaccuracies or errors. Thus, ETComm captures a different type of uncertainty than CAISO proposes to account for through TRM. Moreover, CAISO will transparently share its calculations of ETComm and TRM with stakeholders, which should help to ensure that stakeholders have the information necessary to verify that no double counting has occurred.

75. Further, we find that CAISO’s proposal satisfies the Commission’s transparency standards because CAISO will post TRM values on its Open Access Same-Time Information System each day, share its TRM calculations with stakeholders, and include the opportunity for stakeholder input. Finally, as noted by CAISO, in addition to

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<sup>111</sup> *Id.* P 244.

<sup>112</sup> *See id.* P 273; *see also* NERC Reliability Standard MOD-008-1 at R.1.1.

<sup>113</sup> *Id.* P 273.

complying with NERC reliability standards, the components of uncertainty CAISO proposes to account for in its TRM are consistent with those used by other RTOs/ISOs.<sup>114</sup> Similarly, CAISO's proposal to include much of the implementation detail in the TRM Implementation Document instead of the Tariff is also consistent with section R.1 of NERC Reliability Standard MOD-008-1, which specifies that each transmission operator shall prepare and keep current a TRM Implementation Document that includes the details of how it calculates TRM. Because we find that CAISO's proposal satisfies the applicable transparency requirements, we reject requests to direct additional reporting by CAISO on its ATC or TRM calculations.

76. Finally, we find that CAISO's proposed method of accounting for CPM imports in its ATC calculations is just and reasonable. First, we find that it is reasonable for CAISO to use available ATC if the CPM designation is to cure an RA deficiency because, in such a case, the CPM import effectively functions as RA capacity and, therefore, is properly accounted for in CAISO's determination of how much remaining ATC will be available for Wheeling Through Priority requests. Second, we agree with CAISO that CPM imports for non-RA purposes should be accommodated through TRM because the need for such CPM designations are unanticipated events akin to the types of uncertainty that TRM is intended to address.

### **C. Requests for and Use of Wheeling Through Priority**

#### **1. CAISO Proposal**

77. As a successor to CAISO's interim wheeling through Tariff provisions, CAISO proposes to establish a process for scheduling coordinators to obtain, in advance, a monthly or daily Wheeling Through Priority. CAISO states that it will offer a monthly request window, which will allow a scheduling coordinator to submit a request for Wheeling Through Priority no sooner than 12 months before the month for which it seeks the priority and no later than one month prior to the effective date of the priority. CAISO states that a scheduling coordinator can request Wheeling Through Priority for any month or months within that 12-month horizon. For a daily Wheeling Through Priority, a scheduling coordinator will be able to submit a request for priority no sooner than seven days before the applicable day and no later than one day before the effective date

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<sup>114</sup> According to OATI, CAISO is using TRM in a similar manner to some other RTO/ISO entities. For example, OATI explains that PJM includes aggregate load forecast, allowances for parallel path (loop flow) impacts, and variations in generation dispatch in its TRM and allows for adjustments due to certain historical conditions, current and expected operating conditions, unusual circulation, and other operating conditions. In addition, OATI notes that the use of the load forecast uncertainty component is common to all RTOs/ISOs. OATI Opinion at 10-15.

of the priority. As with the monthly Wheeling Through Priority, a scheduling coordinator can request priority for any day or days within that seven-day horizon.<sup>115</sup>

78. To be eligible for a Wheeling Through Priority, a request must be supported by an executed firm power supply contract to serve an external load serving entity's load where execution is contingent upon the availability of a Wheeling Through Priority on the CAISO system or on the external load serving entity's ownership of an external resource to serve external load. CAISO states that the requested priority hours must align with the service hours in the underlying, supporting supply contract, or the capabilities of the supporting resource, whichever applies. CAISO requires the request to also specify the MW quantity of the firm power supply contract, the start and end dates of the contract, any information specified in the business practice manual, and whether the scheduling coordinator is willing to accept a *pro rata* allocation of capacity if there is insufficient ATC to accommodate the entire request. CAISO states that a scheduling coordinator for a CAISO load serving entity may also request ATC in the daily request window to support an import into the CAISO balancing authority area, subject to similar attestation and information requirements.<sup>116</sup>

79. CAISO states that the firm power supply contract requirement is an extension of the interim wheeling through Tariff provisions and consistent with the power supply contract requirement for external load serving entities seeking to obtain an allocation of congestion revenue rights. CAISO contends that the contract requirement helps ensure that the limited ATC on the interties is accessible to those external entities that demonstrate that they need it to serve their load, comparable to how RA contracts demonstrate this need for CAISO load serving entities. Thus, CAISO argues that the firm power supply contract requirement is a reasonable and effective means of rationing scarce import capacity on the CAISO interties and ensures that external load serving entities can access the Wheeling Through Priority to serve their native load reliably and with greater certainty.<sup>117</sup>

80. CAISO proposes to treat all requests submitted in a request window as being submitted simultaneously. CAISO states that it will award Wheeling Through Priority for supported requests based on the total number of hours of the requested priority over the applicable horizon. Thus, requests for more hours during the 13-month or seven-day period will be awarded before requests for fewer hours, and, in the event of a tie, CAISO will allocate the priorities *pro rata* to those entities that indicated a willingness to accept a *pro rata* or partial allocation. CAISO states that entities obtaining a Wheeling Through

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<sup>115</sup> Transmittal at 46-47.

<sup>116</sup> *Id.* at 47-48.

<sup>117</sup> *Id.* at 48.

Priority will be able to schedule Priority Wheeling Throughs during the specific hours of their priority, and Priority Wheeling Through self-schedules will have a priority equal to self-scheduled CAISO demand and higher than non-Priority Wheeling Through transactions.<sup>118</sup>

81. CAISO proposes to require scheduling coordinators to notify CAISO within a specified number of days after termination or modification of the underlying contract and indicate the reason for the termination or modification and the surrounding circumstances. CAISO states that if the underlying firm power supply contract is terminated or modified at least 11 business days before the date on which a scheduling coordinator can first schedule a Priority Wheeling Through transaction using its priority, CAISO will terminate the Wheeling Through Priority and release the associated ATC unless the scheduling coordinator provides sufficient information regarding a replacement contract. Otherwise, the scheduling coordinator will retain the Wheeling Through Priority, and CAISO will charge the scheduling coordinator for the priority accordingly. Further, a Wheeling Through Priority holder will not be unduly exposed to fixed Wheeling Through Priority charges if major events occur that result in contract termination or modification, and there is sufficient time for CAISO to process and release the capacity associated with the Wheeling Through Priority.<sup>119</sup>

82. CAISO proposes to allow holders of a monthly Wheeling Through Priority to resell the priority for the month or remainder of the month or term of the priority using procedures similar to those under the *pro forma* OATT for the sale or assignment of transmission service. The compensation to Wheeling Through Priority resellers will be at rates established by agreement between the Wheeling Through Priority reseller and the assignee. CAISO will not require a supporting firm power supply contract from any buyer procuring a Wheeling Through Priority via resale. Instead, CAISO proposes to expressly state that a Wheeling Through Priority reseller cannot resell a monthly Wheeling Through Priority for the purpose of enabling avoidance of the firm power supply contract requirement, and to require resellers to attest to CAISO why they are reselling the Wheeling Through Priority. CAISO states that its proposal gives scheduling coordinators more flexibility, enables a liquid market for such resales and assignments, and allows CAISO to monitor resales to ensure they are not effectuated for the purpose of avoiding the supporting firm power supply contract requirement.<sup>120</sup>

83. CAISO also proposes revisions to facilitate the use of TOR or ETC capacity to support a Wheeling Through Priority. CAISO states that a scheduling coordinator may

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<sup>118</sup> *Id.* at 49-50.

<sup>119</sup> *Id.* at 50-52.

<sup>120</sup> *Id.* at 53-54.

use its TOR or ETC capacity for that portion of the Wheeling Through Priority from the import scheduling point to the export scheduling point that is covered by the relevant TOR or ETC capacity. The scheduling coordinator would use transmission capacity on the CAISO grid to support the balance of the Wheeling Through Priority. Under CAISO's proposal, a TOR or ETC holder may transfer its rights directly to a third party to support a Priority Wheeling Through transaction. Further, TOR holders can provide capacity to support additional Wheeling Through Priorities if the holder releases that capacity to CAISO pursuant to a separate contract with CAISO.<sup>121</sup>

84. CAISO proposes that scheduling coordinators obtaining a Wheeling Through Priority pay the applicable Wheeling Access Charge for all the hours during the month(s) or day(s) for which they have a Wheeling Through Priority, regardless of whether the scheduling coordinator actually schedules a Priority Wheeling Through during those hours. CAISO asserts that this approach appropriately recognizes the value of establishing a Wheeling Through Priority equal to CAISO demand compared to a wheeling through self-schedule with no priority and is compatible with the current gross load transmission payment framework applicable to internal load. CAISO also proposes to credit any monthly Wheeling Through Priority payment toward the Wheeling Access Charge prepayment amount required for an external load serving entity to obtain congestion revenue rights.<sup>122</sup>

## **2. Comments and Protests**

85. Arizona Utilities, NV Energy, WPTF, and EPSA argue that CAISO's proposal unduly preferences CAISO load serving entities and, therefore, contravenes the Commission's open access principles and precedents. Arizona Utilities argue that, while external entities compete for ATC using the 13-month bidding window, it appears that CAISO load serving entities have the ability to procure incremental capacity by providing updated import contracts in advance of calculating the monthly ATC. Arizona Utilities assert that this will allow CAISO load serving entities to increase their native load reservations while reducing the remaining ATC available to external entities.<sup>123</sup>

86. NV Energy argues that the proposed process "eliminates the ability of non-CAISO load serving entities to reserve transmission in a period of more than a year in advance while providing a baseline guarantee of long-term transmission to CAISO load serving

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<sup>121</sup> *Id.* at 55-56.

<sup>122</sup> *Id.* at 64-68.

<sup>123</sup> Arizona Utilities Comments at 9.



entities . . . .”<sup>124</sup> NV Energy argues that CAISO’s proposal eliminates long-term competition for Northwestern resources by the Desert Southwest by proposing a process in which external load serving entities are prohibited from reserving transmission more than 12 months in advance.<sup>125</sup> NV Energy and Powerex argue that a durable replacement framework must include wheeling through service for a duration of a year or longer and, therefore, CAISO’s instant proposal is incomplete.<sup>126</sup> Several protestors request that CAISO extend the interim provisions for an additional year so that CAISO can continue to work on a long-term solution that complies with open access precedent.<sup>127</sup> WPTF also requests that the Commission convene a technical conference to explore a just and reasonable solution that is consistent with open access rules.<sup>128</sup>

87. WPTF contends that CAISO’s proposal unduly discriminates against external load serving entities by imposing additional transactional requirements that limit certain entities from seeking access to transmission service, specifically the power supply contract that is not required under the *pro forma* OATT to obtain firm point-to-point service.<sup>129</sup> WPTF and EPSA contend that this element of the proposal introduces a “chicken and egg problem” whereby an external load serving entity cannot obtain Wheeling Through Priority without a supply contract, and a contract cannot be commercially struck without first securing transmission capacity.<sup>130</sup> DMM, on the other hand, states that it supports the requirement of a contractual arrangement to the extent that the requirement facilitates the simultaneous deliverability of all firm uses of CAISO intertie capacity and, thus, supports the reliability of the CAISO system.<sup>131</sup>

88. SDG&E objects that under CAISO’s proposal, CAISO load serving entities can only request daily ATC, whereas external entities can obtain ATC anytime in both the monthly and daily timeframes. SDG&E asserts that CAISO load serving entities should

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<sup>124</sup> NV Energy Protest at 10.

<sup>125</sup> *Id.* at 2.

<sup>126</sup> *Id.* at 15-16, Powerex Protest at 16-17.

<sup>127</sup> Arizona Utilities Comments at 14; NV Energy Protest at 3; Powerex Protest at 19; EPSA Protest at 10-11; and WPTF Protest at 3.

<sup>128</sup> WPTF Protest at 3, 12-13.

<sup>129</sup> *Id.* at 8-9.

<sup>130</sup> *Id.* at 9; EPSA Protest at 6-7.

<sup>131</sup> DMM Comments at 9.

be allowed to adjust ATC in between the time when CAISO establishes the initial 13-month ATC and the monthly true ups.<sup>132</sup> SDG&E argues that a June 29, 2023 rule change by CPUC, which allows a load serving entity obtaining ATC to pair ATC with RA imports to meet its RA requirements, requires a monthly option for CAISO load serving entities to obtain ATC.<sup>133</sup>

89. Six Cities argue that the proposed allocation process for ATC fails to adequately protect native load because CAISO load serving entities will have no ability to identify additional resource contracts for which they will require transmission priority after the initial 13-month ahead evaluation of ATC. Further, Six Cities assert that the transmission capacity needed to support any such contracts will not be considered during the rolling request window for external entities. Six Cities contend that the rolling window to submit monthly requests for wheeling through priorities affords external entities a significantly greater degree of flexibility to respond to changes in market conditions than will be available to CAISO load serving entities. Six Cities recognize that CAISO proposes to do a true up every month based on RA contract showing, but remains concerned that, if that ATC has already been secured by external entity, any contracts entered into by CAISO load serving entities during the interim period will effectively have a subordinate priority to Priority Wheeling Through transactions.<sup>134</sup>

90. In addition, Six Cities assert that CAISO's proposal inappropriately permits purchasers of Wheeling Through Priority to engage in unrestricted resales of that priority without the firm supply contract requirement, which they argue could result in the misuse of the resale option to avoid this requirement. Six Cities also express concern that the proposal does not include a cap on resale prices and, as a result, holders of Wheeling Through Priority could earn profits from their participation in the market, which is not an option available to CAISO load serving entities that remain responsible for fully funding the CAISO transmission system. Six Cities contend that CAISO's proposed Tariff sections 23.2.1 and 23.8.1 fail to provide any effective means for CAISO to monitor and prevent resales made to third parties for the purpose of avoiding the power supply contract requirement, much less assess whether resales facilitate and enable internal and external parties to meet load service obligations. Six Cities request that the Commission

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<sup>132</sup> SDG&E Comments at 4-6.

<sup>133</sup> Decision Adopting Local Capacity Obligations For 2024 - 2026, Flexible Capacity Obligations For 2024, and Program Refinements at 59, CPUC Decision 23-06-29 (July 5, 2023).

<sup>134</sup> Six Cities Comments at 8-10.

reject the resale-related Tariff provisions or permit CAISO to refile the resale provisions with appropriate modifications.<sup>135</sup>

91. DMM similarly suggests that CAISO remain open to the possibility of establishing a rate for resale in future initiatives to mitigate the risk of market power. DMM states that this concern is exacerbated by the fact that under CAISO's proposal, there is no financial risk associated with reserving high priority wheel through rights, since the reserving entity is not obligated to pay for the rights if the underlying power supply contract is terminated or modified 11 or more business days before the commencement of service. DMM suggests that as a future revision, CAISO hold entities financially responsible for reserved ATC, even when the underlying contract is modified or terminated, to eliminate the free option created by CAISO's proposal and provide proper financial incentives for entities to only acquire transmission that they are very likely to use, supported by robust contracts that cannot be easily terminated.<sup>136</sup>

92. Several parties question CAISO's proposal to allow the use of TORs and ETCs for Wheeling Through Priority. Arizona Utilities, NV Energy, and Powerex argue that, given the importance of import capacity related to TORs and ETCs, it is incumbent on CAISO to provide additional detail as to how this import capacity can be paired with an export to create a Priority Wheeling Through transaction.<sup>137</sup> CPUC also requests clarification on this element of the proposal, arguing that allowing entities with existing TORs and ETCs to convert these rights into ATC could lead to internal transmission congestion, particularly across Path 26.<sup>138</sup> DMM states that allowing TORs and ETCs to support high priority wheel through transactions that import at the point associated with the TOR or ETC, but export at a point unassociated with the TOR or ETC, could contribute significantly to unanticipated internal congestion on the CAISO transmission system and threaten CAISO balancing area reliability. DMM adds that in order to ensure that the ability to create additional ATC through TOR conversion does not create a loophole to access additional high priority wheeling capacity, CAISO's annual power flow analysis and assessment of TRM must consider the potential of a high priority wheel

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<sup>135</sup> *Id.* at 10-13.

<sup>136</sup> DMM Comments at 15-18.

<sup>137</sup> Arizona Utilities Comments at 9-10; NV Energy Protest at 22-24; Powerex Protest at 19.

<sup>138</sup> CPUC Comments at 17-19.

through volume that includes any potential TOR rights that could be later converted to ATC.<sup>139</sup>

93. Regarding the Wheeling Access Charge, DMM supports the concept of a fully paid charge to establish scheduling priority for the full duration of the load serving contract. DMM states that this approach reflects the value of access to high priority scheduling, where compensation increases for additional hours of scheduling priority reflecting additional value.<sup>140</sup>

### 3. Answers

94. Six Cities assert that, contrary to Arizona Utilities' and NV Energy's contention that CAISO load serving entities have an undue advantage in accessing ATC after the initial 13-month request window, it is actually CAISO load serving entities who are disadvantaged in the monthly ATC allocation processes. Six Cities argue that the inability of CAISO load serving entities to increase their transmission reservations between the 13-month-ahead posting of ATC and the monthly true up creates a risk of reliability problems and curtailments within CAISO if there is no remaining scheduling priority to allocate to CAISO load serving entities at the monthly true-up process. In addition, Six Cities argue that the proposed ATC request methodology imposes an unreasonable restriction on the ability of CAISO load serving entities to engage in capacity procurement after the 13-month process, because there is no assurance of available scheduling priority to support deliveries to load.<sup>141</sup>

95. SoCal Edison agrees that not allowing native load serving entities to identify incremental resource contracts between the initial 13-month ahead determination of ATC and the one-month ahead true up of ATC inappropriately disadvantages CAISO load serving entities. SoCal Edison argues that CAISO should provide similar request treatment to its load serving entities and allow native load with maximum import capability to request native load preferences at any time during the 13-month period.<sup>142</sup>

96. In its September 5 answer, CAISO denies that its proposed process for obtaining Wheeling Through Priority is unduly discriminatory or preferential. According to CAISO, protestors fail to acknowledge that CAISO load serving entities are situated differently from external load serving entities as they are entirely dependent on the

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<sup>139</sup> DMM Comments at 9-11.

<sup>140</sup> *Id.* at 16.

<sup>141</sup> Six Cities Answer at 4-5.

<sup>142</sup> SoCal Edison Answer at 4-5.

CAISO system to serve their load and have different requirements with which they must comply. With regard to claims that the proposed 13-month rolling request window provides an unfair advantage to CAISO load serving entities, CAISO contends that protests on this issue ignore the central purpose of native load protection. CAISO states that although CAISO load serving entities can notify CAISO of new contracts in place before CAISO makes its initial ATC calculation for a month, Arizona Utilities ignore that CAISO load serving entities must also notify CAISO of any import contracts during the historical period that have terminated and that the load serving entity will not replace at that intertie. CAISO reiterates that its approach for determining native load needs is not dissimilar from the practices of other transmission providers. CAISO contends that its proposal does not give CAISO load serving entities an unfair advantage; rather, it is consistent with the entire purpose of the native load priority.<sup>143</sup>

97. In response to SDG&E and Six Cities, CAISO asserts that allowing CAISO load serving entities to participate in the monthly request window process is unwarranted at this time. CAISO highlights that its proposed native load set aside should already account for the import capacity needed to serve CAISO load. Further, CAISO explains that the modification requested by SDG&E would necessitate revisions to CAISO's maximum import capacity allocation process, which is beyond the scope of this proceeding.<sup>144</sup> In its October 2 answer, CAISO again argues that this requested modification to CAISO's proposal conflicts with existing RA provisions of the CAISO Tariff, constitutes an inappropriate release of capacity reserved under the TRM, raises many unresolved issues, and is unwarranted at this time. Further, CAISO cautions that allowing CAISO load serving entities to participate in the monthly ATC request window could lead to double counting of capacity already set aside for native load.<sup>145</sup>

98. In response to NV Energy and Powerex, CAISO argues that an option for longer-term Wheeling Through Priority is not relevant to the evaluation of whether the instant proposal is just and reasonable. CAISO reiterates that it is working on a longer-term wheeling through product, but maintains that, because any such longer-term proposal will involve different tariff provisions, as well as distinct timelines and study and award processes, the details of such a future filing have no bearing on the justness and reasonableness of the measures proposed here. Moreover, CAISO highlights that the interim measures, which the Commission found to be just and reasonable, do not provide for wheeling through priority for a term longer than a year. Thus, CAISO asserts that the absence of such an enhancement cannot render the instant proposal unjust and

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<sup>143</sup> CAISO September 5 Answer at 27-28.

<sup>144</sup> *Id.* at 66-70.

<sup>145</sup> CAISO October 2 Answer at 24-31.

unreasonable. CAISO contends that the Commission should reject requests for a technical conference or additional stakeholder process because, according to CAISO, it has provided the necessary justification for the Commission to find the Tariff revisions proposed here to be just and reasonable.<sup>146</sup>

99. In response to claims that the proposed firm power supply contract requirement is unduly discriminatory, CAISO notes that in approving the interim Tariff provisions, the Commission found that the firm power supply contract requirement is an appropriate proxy for determining whether external load serving entities are relying on the CAISO grid in a manner comparable to how RA imports rely on the CAISO grid to serve CAISO load. CAISO also asserts that the “chicken and egg problem” raised by WPTF and EPSA is speculative and unsupported. CAISO states that the lack of a Wheeling Through Priority in advance, has not, in practice, prevented suppliers from obtaining firm power supply contracts. Moreover, CAISO reiterates that its proposal allows the firm power supply contract requirement to be satisfied by a contract contingent upon the availability of a Wheeling Through Priority on the CAISO system.

100. CAISO explains that it did not propose a price cap on Wheeling Through Priorities because the Commission has removed the price cap on transmission capacity resales and assignments and, therefore, CAISO’s approach is consistent with Commission precedent. CAISO adds that it has also proposed precautionary measures such as a Tariff requirement for the seller to attest to the reason for the sale and an express prohibition of resales for the purpose of avoiding the power supply contract requirement. CAISO asserts that these measures should be sufficient to facilitate the monitoring and auditing of resales to ensure they are undertaken only for legitimate business purposes.<sup>147</sup>

101. CAISO also provides additional implementation details regarding the use of TORs and ETCs to support a Wheeling Through Priority. Specifically, CAISO explains that scheduling coordinators seeking to use TOR or ETC to support a Wheeling Through Priority must identify the ultimate source and sink of their Wheeling Through Priority, attest to a supporting firm power supply contract, and indicate that their request is supported in part by TOR or ETC capacity. CAISO states that no Wheeling Through Priority request is necessary if the TOR or ETC covers the entire path of the wheel through the CAISO balancing authority area from the initial import scheduling point to the ultimate export scheduling point.<sup>148</sup>

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<sup>146</sup> CAISO September 5 Answer at 12-16, 80-82.

<sup>147</sup> *Id.* at 71-72.

<sup>148</sup> *Id.* at 61-66.

102. Powerex contends that CAISO's answer does not fully set forth a workable mechanism for utilizing TORs in support of wheeling through service. Powerex notes that CAISO's answer claims that use of the TOR for the import leg of the wheel through will be treated with "all of the rights and obligations that accompany a TOR schedule,"<sup>149</sup> but alleges that there has never been clarity regarding these rights and obligations. Powerex states that the scheduling process for these TORs has proven challenging in the past and expresses concern that those technical challenges have not been fully examined in the current context and remain unresolved. Powerex questions whether the necessary technical details can be developed in time to support forward procurement of deliverable supply for summer 2024 and requests, if the Commission does not reject the proposal, that it direct CAISO to provide a detailed work plan to implement this aspect of its proposal to the Commission, along with regular updates on progress.<sup>150</sup> Powerex also asserts that the CPUC comments on this issue appear to seek greater restrictions on the use of TORs to support Priority Wheeling Through transactions based on concerns about internal transmission congestion. Powerex asserts that these concerns have been examined and refuted by CAISO and, therefore, should be rejected by the Commission.<sup>151</sup>

103. In its October 2 answer, CAISO claims that Powerex's concerns about the proposed treatment of TORs and ETCs attempt to create confusion where none exists. CAISO denies that there are extensive technical details yet to work out and argues that Powerex has failed to identify any such details.<sup>152</sup>

#### **4. Commission Determination**

104. We find that CAISO's proposed process for requesting Wheeling Through Priority is just and reasonable, not unduly discriminatory or preferential, and otherwise consistent with the Commission's open access policies and precedent. In Order No. 888, the Commission stated that "an open access tariff that is not unduly discriminatory or anticompetitive should offer third parties access on the same or comparable basis, and under the same or comparable terms and conditions, as the transmission provider's uses of its system."<sup>153</sup> Here, we find that the requirements and processes proposed by CAISO

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<sup>149</sup> Powerex Answer at 21 (citing CAISO September 5 Answer at 64).

<sup>150</sup> *Id.* at 22-23.

<sup>151</sup> *Id.* at 23-24.

<sup>152</sup> CAISO October 2 Answer at 23-24.

<sup>153</sup> Order No. 888, FERC Stats. & Regs. ¶ 31,036 at 31,646.

will result in wheeling through service for external users that satisfies the comparability standard established in Order No. 888.<sup>154</sup>

105. In accepting CAISO's current, interim scheduling priorities provisions, the Commission explained that the contract requirement serves as a "reasonable proxy that allows external load serving entities to demonstrate that they plan to use the CAISO grid to serve load in a manner that is comparable to CAISO load serving entities,"<sup>155</sup> and therefore found that it is not unduly discriminatory or preferential for CAISO "to require external load serving entities to meet certain eligibility criteria in order to obtain a scheduling priority equal to native load in CAISO, even if those criteria are not identical to the criteria applicable to resource adequacy imports, which serve that load."<sup>156</sup> We find that the Commission's reasoning in that case applies with equal force here because the central issue is still the inherent tension between CAISO's need to use intertie capacity to serve its own load and third parties' ability to access that capacity. We find that CAISO's proposal achieves a reasonable balance of these interests consistent with the Commission's open access policies and should help to ensure that transmission capacity is accessible to external load serving entities that need it to serve their load on a basis comparable to that of CAISO load serving entities.

106. We find unpersuasive protestors' arguments that, in order for monthly and daily transmission service reservations to comport with open access principles, CAISO must also offer a longer-term transmission service reservation product in addition to the monthly and daily reservation options proposed here. As an initial matter, we note that open access does not require that the transmission provider offer any specific product, or combination of products, but instead requires that the transmission service offered be comparable to that which the public utility provides itself.<sup>157</sup> As discussed above, we find that CAISO's proposal satisfies this standard because, just like CAISO load serving entities that rely entirely on the CAISO transmission system to serve their load, external entities that demonstrate reliance on the CAISO system to serve their load can secure

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<sup>154</sup> See Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 at 30,211 (stating that "undue discrimination in the provision of transmission services in today's industry does not turn on whether utilities and their native load customers are similarly situated to third parties, but instead turns on whether the utility is providing comparable service, that is, service that it is reasonably capable of providing to other users of the interstate transmission system").

<sup>155</sup> June 2021 Order, 175 FERC ¶ 61,245 at P 149; *see also* March 2022 Rehearing Order, 178 FERC ¶ 61,180 at P 48.

<sup>156</sup> June 2021 Order, 175 FERC ¶ 61,245 at P 149.

<sup>157</sup> *Id.*



transmission service on the interties at a scheduling priority that is equal to imports to serve CAISO load.

107. Several protestors argue that because of defects in CAISO's proposal, the interim framework should be extended. These protests ignore that under the interim Priority Wheeling Through framework, transmission service is requested on a monthly – and not longer-term – basis, regardless of the duration of the supporting power supply contract. The supporting power supply contract does not function as a long-term reservation of transmission capacity on the CAISO system. Thus, extending the current interim measures would not ameliorate any of the alleged defects of the instant proposal. Moreover, we note that CAISO plans to propose, in the near future, tariff revisions to create a mechanism that would facilitate longer-term wheeling through reservations. We will consider a longer-term reservation product if it is filed in the future. That said, we agree with CAISO that the details of this future filing have no bearing on the justness and reasonableness of the measures proposed here. Accordingly, we disagree with protestors' contentions that the instant proposal is incomplete without a long-term transmission service reservation option and, therefore, we deny requests to convene a technical conference to explore alternate solutions.

108. We find that protestors' claims that CAISO's proposed rolling 13-month request process is unduly discriminatory or preferential because it "eliminates" the ability for external users to make transmission reservations more than 13 months in advance, or prohibits them from doing so, are misplaced. As explained above, neither CAISO's existing transmission framework nor its interim Priority Wheeling Through framework provide for long-term transmission service reservations. Further, these protests fail to recognize the purpose of native load protection, which is to set aside transmission capacity that is needed to serve native load *before* releasing capacity to external users. Thus, the fact that CAISO accounts for intertie capacity needed by CAISO load serving entities prior to opening the window for Wheeling Through Priority requests, and the fact that ATC will be adjusted based on actual RA showings on a monthly basis, does not render the process unduly preferential to CAISO load serving entities. Additionally, once Wheeling Through Priority is secured, it is unconditional. Therefore, even if monthly true ups result in a reduction in ATC, external load serving entities cannot lose their Wheeling Through Priority. We find that the nature of Wheeling Through Priority effectively places external load serving entities on comparable footing with imports by CAISO load serving entities in terms of the nature and terms of the service being offered.

109. We find no merit in protestors' arguments that the proposed power supply contract requirement is unduly discriminatory against external load serving entities. Importantly, CAISO's proposal offers several options for fulfilling this requirement: (1) an executed firm power supply contract to serve external load; (2) a firm power supply contract to serve external load where execution is contingent upon the availability of ATC on CAISO's system; or (3) demonstration of ownership of a resource to serve external load.

Thus, we find that the proposal offers sufficient flexibility to avoid the “chicken and egg” problem posited by WPTF and EPSA. Further, we find that this proposed requirement constitutes an improvement on the current contract requirement under the interim framework because it does not require entities to procure firm transmission to the CAISO border.

110. We are not persuaded by SDG&E’s and Six Cities’ contention that CAISO’s proposal unduly discriminates against CAISO load serving entities by not permitting them to request ATC in the rolling 13-month window, but only in the daily horizon. Neither SDG&E nor Six Cities offer supporting evidence that would cause us to question the sufficiency of CAISO’s native load set aside in ETCComm for RA imports to serve CAISO load. We find that CAISO’s proposal to estimate native load needs based on the higher of the previous two years’ RA and non-RA imports should help account for changing conditions from year-to-year and should also help to ensure against setting aside too little intertie capacity for imports to serve CAISO load. Moreover, CAISO proposes to set aside capacity for load forecast uncertainty in its TRM and, in the monthly true-up process, ATC will be adjusted for actual RA contracts. As such, we are not persuaded by arguments that CAISO’s proposal fails to adequately protect CAISO load. Finally, despite the CPUC rule change referenced by SDG&E, the CAISO Tariff still requires imports serving CAISO load to be paired with maximum import capability<sup>158</sup> to count as RA capacity. The maximum import capability for a given intertie is not interchangeable with the ATC determined by CAISO. As such, the modification to the proposal sought by SDG&E and Six Cities would require revisions to CAISO’s maximum import capability rules, which are beyond the scope of this proceeding.

111. We also disagree with Six Cities’ objection to CAISO’s proposed revisions pertaining to the resale of Wheeling Through Priority. First, as noted by CAISO, the Commission has removed the price cap on transmission capacity resales and assignments.<sup>159</sup> Therefore, we find no merit in Six Cities’ concern about the absence of such a cap here. Second, we find that the proposed rule prohibiting resales for the

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<sup>158</sup> Maximum import capability is the term used by CAISO to signify a quantity in MW determined by CAISO for each intertie into the CAISO balancing authority area to be deliverable into the CAISO balancing authority area based on CAISO study criteria. CAISO, CAISO eTariff, Appendix A (Definitions) (0.0.0).

<sup>159</sup> *Promoting a Competitive Mkt. for Capacity Reassignment*, Order No. 739, 132 FERC ¶ 61,238 (2010), *order on reh’g*, Order No. 739-A, 135 FERC ¶ 61,137 (2011).

purpose of avoiding the power supply contract requirement, and the associated attestation requirement, should be sufficient to deter resales for any illegitimate purposes.

112. Finally, we find that CAISO has provided sufficient detail that enables us to determine that its proposal to permit the use of existing TORs and ETCs for Wheeling Through Priority is just and reasonable. The basis of Powerex's concern appears to be existing challenges with the scheduling process and other technical details pertaining to the use of TORs. However, CAISO is not proposing changes to its existing TOR and ETC processes here. Therefore, we find that Powerex's concern is beyond the scope of this proceeding.

#### **D. Post-HASP Allocation Process**

##### **1. CAISO Proposal**

113. CAISO states that the existing post-HASP process allocates constrained import and internal transmission between Priority Wheeling Through transactions and supply needed to serve native load. If an intertie scheduling point is constrained in the import direction or Path 26<sup>160</sup> is congested in the north-south direction, and the HASP cannot meet CAISO forecast demand or fully accommodate a Priority Wheeling Through transaction, CAISO performs the post-HASP process to allocate ATC between supply needed to meet CAISO load and Priority Wheeling Through transactions on a *pro rata* basis. Under the existing process, CAISO load share is based on the lower of each applicable RA resource's real-time energy bid quantity or its shown RA capacity; the Priority Wheeling Through share is based on the lowest of 110% of the submitted day-ahead market self-schedule of the Priority Wheeling Through transaction, the submitted real-time market self-schedule of the Priority Wheeling Through transaction, or the Priority Wheeling Through quantity requested 45-days in advance of the month.<sup>161</sup>

114. CAISO proposes several revisions to the post-HASP process to conform with the other changes in its proposal and ensure the firmness of both Priority Wheeling Throughs and imports using ATC (and TRM) set aside for CAISO native load. First, CAISO proposes to consider the following transactions serving CAISO load when applying any necessary *pro rata* schedule adjustments between high-priority transactions: CAISO load serving entity-contracted imports (RA and non-RA) as represented in the ATC calculation; ATC secured by CAISO load serving entities in the daily request window process; TRM as used to support imports within the ATC calculation; and CPM import supply supported by ATC or TRM. CAISO proposes to retain the existing framework

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<sup>160</sup> Path 26 is a set of three 500 kV transmission lines that connects SoCal Edison to PG&E, forming an important interface between northern and southern California.

<sup>161</sup> Transmittal at 59-60.

whereby the CAISO load quantity used in the post-HASP process will be the lower of the sum of real-time scheduled quantities from resources using the aforementioned capacity or the sum of all capacity set aside to serve CAISO load from these components of the calculation.<sup>162</sup>

115. For purposes of determining the Priority Wheeling Through quantity used in the post-HASP process, CAISO proposes to eliminate the first criterion under the existing process, i.e., 110% of the submitted day-ahead market self-schedules of Priority Wheeling Through transactions. CAISO states that under its proposed Tariff revisions, CAISO load quantity will include not only monthly RA showing quantities contracts but also monthly non-RA contract showings and any capacity CAISO load serving entities have procured in the daily ATC request window process. CAISO states that, because the latter two types of resources do not have a day-ahead must-offer obligation, it is inappropriate to include the existing day-ahead Priority Wheeling Through self-schedules criterion for determining the Priority Wheeling Through quantity used in the post-HASP process. In lieu of the first criterion, CAISO states that the quantity used for Priority Wheeling Throughs in the post-HASP process will be the lower of the submitted real-time market self-schedules of Priority Wheeling Through transactions or the Priority Wheeling Through quantity awarded ATC under the request window processes.<sup>163</sup>

116. CAISO also proposes revisions to clarify that the post-HASP process will only be triggered if two preconditions occur: (1) there is a transmission limitation on an intertie in the import direction; and (2) the HASP cannot meet the CAISO forecast of demand or fully accommodate a Priority Wheeling Through transaction. CAISO proposes to remove consideration of possible constraints on Path 26 in the north-south direction from the post-HASP process. CAISO determined it is unnecessary to include this reference in the post-HASP process at this time and notes that it will annually evaluate the sufficiency of internal paths to support Wheeling Through transactions and imports serving CAISO demand.<sup>164</sup>

117. Finally, CAISO proposes to add a provision to Tariff section 34.12.3 governing the post-HASP process stating that the amount of capacity considered for *pro rata* allocation in the process (i.e., the amount of capacity set aside for native load and awarded Priority Wheeling Throughs) cannot exceed the TTC of the intertie.<sup>165</sup>

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<sup>162</sup> *Id.* at 61-62.

<sup>163</sup> *Id.* at 62.

<sup>164</sup> *Id.* at 62-63.

<sup>165</sup> *Id.* at 63.

## 2. Comments

118. DMM states that while it supports inclusion of the post-HASP process as proposed, it notes that CAISO proposes to remove consideration of internal north-south CAISO congestion on Path 26 as a criterion that could trigger the process. DMM states that because a significant amount of CAISO RA capacity relies on this transmission to reach load centers in Southern California, and because many of the high priority wheel through transactions are expected to flow north to south, retaining this criterion could be a valuable tool to further support CAISO system reliability during high load conditions where the import intertie is not experiencing a transmission limitation, but Path 26 is the limiting transmission element.<sup>166</sup>

119. Similarly, CPUC asserts that it makes little sense to remove the provision related to Path 26 if CAISO does not expect it to be binding. CPUC states that, if there are circumstances in which the provision can be used to protect native load, removing it substantially reduces the tools CAISO has available to ensure the reliable operation of the grid. CPUC states that, based on its analysis, it is not clear that CAISO has sufficient internal transmission to support high priority wheeling transactions with priority equal to or above load, and reliably serve load under 1-in-2 load conditions. CPUC asserts that during stressed system conditions or periods of significant price separation, the reliability impacts could be sudden and severe. For these reasons, CPUC requests that the Commission direct CAISO to file supplemental information to clarify if it will conduct additional power flow modeling.<sup>167</sup>

120. In addition, CPUC requests that the Commission direct CAISO to provide information in a supplemental filing as to why CAISO has not retained its day-ahead bidding requirement because, according to CPUC, removal of this requirement could have reliability implications.<sup>168</sup>

## 3. Answers

121. SoCal Edison argues that if conditions materialize as described by the CPUC, and CAISO does not consider the internal Path 26 constraint, CAISO's proposal will adversely affect SoCal Edison's customers who will be subject to reduced reliability and/or extreme prices. SoCal Edison asserts that it is critical that CAISO include a consideration of intrastate transmission constraints in determining the ATC and the Commission's approval should be conditioned on a commitment from CAISO to make

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<sup>166</sup> DMM Comments at 12-13.

<sup>167</sup> CPUC Comments at 10-17.

<sup>168</sup> *Id.* at 25-27.

this consideration.<sup>169</sup> Six Cities also agree with the need for consideration of internal constraints through a robust modeling process to ensure that CAISO native load needs can be fully addressed and that quantities of ATC made available for wheeling purposes are accurate and can be reliably supported by the CAISO system.<sup>170</sup>

122. CAISO responds that since it implemented the interim wheeling through measures in August 2021, the post-HASP process has never triggered because of a constraint on Path 26 or any other constraint. CAISO states that its analyses show that Path 26 does not bind frequently. CAISO also states that its analysis of historical events indicated that during peak conditions where there is internal congestion, internal generation is committed and dispatched for local area purposes, i.e., northern and southern generation have been dispatched to serve their respective loads and resolve local area congestion, which reduces north-to-south flow and limits the risk of congestion or overloading on the internal system, including Path 26, under various stressed system conditions. CAISO states that looking forward, it expects there will be more than sufficient resource dispatch capability on either side of Path 26 to continue to manage flows, particularly given scheduled new resource additions across the CAISO balancing authority area.<sup>171</sup> Nevertheless, in response to the CPUC, CAISO reaffirms that it will assess the robustness of its internal transmission system before making its initial ATC calculations annually, beginning this fall and consistent with good utility practice.<sup>172</sup>

123. CAISO also responds that it removed the day-ahead bidding requirement for several reasons. CAISO explains that it was concerned about potential undue discrimination and undue preference claims if it were to retain the day-ahead bidding incentive for Priority Wheeling Throughs without corresponding day-ahead must-offer obligations for monthly non-RA contract showings and any capacity CAISO load serving entities procure in the daily ATC request window process. Moreover, CAISO contends that it has proposed several key changes to its wheeling through procedures and in its post-HASP process that will allow it to better manage Priority Wheeling Through schedules at interties, which lessen the need for any day-ahead bidding incentive for Priority Wheeling Throughs. Specifically, CAISO highlights that its ATC determination will include an analysis of both intertie and internal constraints, which does not occur today, and which will ensure that Priority Wheeling Throughs are supported by ATC. Further, CAISO states that it has included a revision to state that the amount of capacity

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<sup>169</sup> SoCal Edison Comments at 4.

<sup>170</sup> Six Cities Answer at 14.

<sup>171</sup> CAISO September 5 Answer at 41-47.

<sup>172</sup> *Id.* at 39-40.

considered for *pro rata* allocation in the post-HASP process cannot exceed the TTC of the intertie, which is not the case today.<sup>173</sup>

#### **4. Commission Determination**

124. We find CAISO's proposed revisions to the post-HASP process to be just and reasonable.<sup>174</sup> We find that CAISO's proposal to change the components of the native load quantity used in the post-HASP process aligns with its proposed ATC-related changes. We also find CAISO's justification for eliminating the day-ahead bidding requirement persuasive. As CAISO states, its proposed revisions to the post-HASP process should lessen the need for any day-ahead bidding incentive for Priority Wheeling Throughs and should enhance CAISO's ability to manage intertie capacity more effectively.

125. Further, we do not find that CAISO's proposal to remove consideration of internal north-south congestion on Path 26 as a criterion that could trigger the post-HASP process substantially reduces the tools CAISO has available to ensure the reliable operation of the grid. CAISO asserts that the post-HASP process has never been triggered by a constraint on Path 26 or any other constraint. Further, as noted by CAISO, its analyses show that Path 26 does not bind frequently. We note CAISO's commitment, in response to the CPUC, to assess the robustness of its internal transmission system before making its initial ATC calculations annually, consistent with good utility practice.<sup>175</sup>

#### **E. Regional Impacts**

##### **1. CAISO Proposal**

126. CAISO states that its proposal supports showings and delivery of supply under Western Power Pool's Western Resource Adequacy Program (WRAP) by providing for Wheeling Through service that is consistent with or superior to firm point-to-point transmission service under the *pro forma* OATT with regard to the risk of curtailment. CAISO asserts that, whereas under the *pro forma* OATT transmission providers can curtail firm point-to-point transmission solely as a result of a transmission derate or outage, CAISO's proposed framework requires both a transmission derate or outage *and* an overall system supply shortfall to curtail a Priority Wheeling Through. Thus, CAISO

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<sup>173</sup> *Id.* at 47-50.

<sup>174</sup> We grant CAISO's request for waiver of the Commission's 120-day prior notice requirement to permit a June 1, 2024 effective date for the specified Tariff provisions.

<sup>175</sup> CAISO September 5 Answer at 39-40.

argues that its proposed wheeling through framework provides a lower risk of curtailment than firm transmission service under the *pro forma* OATT. CAISO acknowledges the importance of continuing to coordinate and manage interoperability between California and the wider Western RA program.<sup>176</sup>

## 2. Comments and Protests

127. Protestors express concern that the Wheeling Through Priority offered by CAISO will not comply with the WRAP requirements and could impede participation in WRAP. Powerex explains that in order for entities to use Priority Wheeling Through service in the context of WRAP, the service would need to meet WRAP's requirements for NERC priority 6 or 7 transmission service and be available for a sufficient duration and sufficiently in advance to align with WRAP's forward showing requirements. Powerex questions whether CAISO has sufficiently engaged with Western Power Pool to evaluate the suitability of the proposed Priority Wheeling Through service for WRAP, either in terms of the quality of the service or the timelines of when the service will be made available.<sup>177</sup>

128. NV Energy likewise contends that it is incumbent on CAISO to ensure that its Priority Wheeling Through product will enable WRAP participants to meet their RA obligations and that, without that assurance, CAISO's proposal is not consistent with WRAP and not consistent with or superior to the *pro forma* OATT. NV Energy also suggests that CAISO should conform its nomenclature with NERC terminology that refers to NERC priority 6F or 7F service rather than the generic "equal to demand" language proposed by CAISO.<sup>178</sup> Finally, NV Energy contends that CAISO should require that e-tags contain information on the priority of the wheeling through transaction on both the import and the export that is similar to the identification of the NERC curtailment priority listed for the transmission outside of CAISO and requests that CAISO commit to provide training and detailed implementation guides as to how Priority Wheeling Through transactions should be bid into the market to maintain their priority.<sup>179</sup>

129. WPTF states that it is not clear from the details of CAISO's proposal that using Wheeling Through Priority will qualify for WRAP compliance.<sup>180</sup> Arizona Utilities

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<sup>176</sup> Transmittal at 76-79.

<sup>177</sup> Powerex Protest at 16.

<sup>178</sup> NV Energy Protest at 16-18.

<sup>179</sup> *Id.* at 24.

<sup>180</sup> WPTF Protest at 10.



similarly seek clarification from CAISO that the high-priority wheeling through product satisfies the WRAP forward showing firm transmission requirement. Arizona Utilities argue that the lack of delineation between normal transactions and RA transactions in CAISO's proposed tariff Appendix L-1 could place capacity backed WRAP transactions on the same curtailment footing as market transactions, when in fact these deliveries are for RA programs.<sup>181</sup>

130. EPSA asserts that CAISO's proposal creates uncertainties and thus risks negating the potential benefits from WRAP. EPSA adds that CAISO's proposal is unduly preferential to the California RA program and that by favoring native load, CAISO's proposal could unfairly incentivize resources to resort to selling into California's RA program – even for power supply that would otherwise sell to “wheel through” CAISO into a different balancing authority to serve non-CAISO customers.<sup>182</sup>

### 3. Answers

131. Six Cities assert that, contrary to the contentions of the protestors, the evolution of WRAP does not expand CAISO obligations under the Commission's open access transmission policy, eliminate the native load priority consistently recognized as part of that policy, or otherwise require CAISO to guarantee that WRAP participants will always have access to wheel through service over the CAISO grid. Furthermore, Six Cities contend that the Commission order accepting the WRAP tariff and the WRAP tariff itself recognized that firm transmission rights may not be available in all instances to support resources that WRAP participants may propose to include in their RA forward showings.<sup>183</sup>

132. Similarly, SoCal Edison disagrees with the critiques of the protestors and argues that CAISO cannot be bound by decisions of other parties – who are not even a part of CAISO – or be in any way obligated to design CAISO rules to conform with the tariffs of others. SoCal Edison states that, while it supports cooperation and integration, changes to the CAISO Tariff must not come at the expense of harming reliability to CAISO balancing authority area participants.<sup>184</sup>

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<sup>181</sup> Arizona Utilities Comments at 10-11.

<sup>182</sup> EPSA Protest at 9.

<sup>183</sup> Six Cities Answer at 11-12 (citing *Nw. Power Pool*, 182 FERC ¶ 61,063, at PP 83-84 (2023)).

<sup>184</sup> SoCal Edison Answer at 7-8.

133. CAISO responds that Priority Wheeling Through service and service to CAISO load is, without doubt, firm transmission. CAISO claims that parties, such as Arizona Utilities, Powerex, and NV Energy, have been submitting e-tags for their Priority Wheeling Through transactions that reflect NERC Priority 7F transmission service. CAISO states that consistent with scheduling coordinators' actual e-tagging practices, it will include a provision in its business practice manual that scheduling coordinators should tag Priority Wheeling Through transactions as NERC Priority 7F transmission. CAISO states that, consistent with protestors' requests, it will continue to work with Western Power Pool to ensure that Priority Wheeling Through transactions can support members' supply obligations under WRAP.<sup>185</sup>

134. CAISO asserts that Arizona Utilities' concerns about curtailments are unclear. CAISO argues that Appendix L-1 pertains solely to the calculation of ATC and has nothing to do with curtailment priorities. CAISO asserts that to the extent Arizona Utilities are arguing that WRAP transactions should have a priority over other transactions on the CAISO system, there is no basis for such an argument because the native load priority does not extend to transmission service on external transmission systems.<sup>186</sup>

135. Powerex argues that CAISO's proposal will unduly restrict access to needed transmission capacity and flaws in CAISO's proposal would impose barriers that will further distort competitive outcomes throughout the Western United States. Powerex argues that barriers to competition among load serving entities throughout the broader southwest region have at least two primary consequences. First, Powerex argues that southwest load serving entities (and their customers) are forced to incur higher costs either by procuring supply from higher-cost local resources and/or building new local resources to meet their reliability needs. Second, Powerex asserts that load serving entities in CAISO's southern SP-15 zone greatly benefit from these barriers. Powerex states that since the summer of 2021, forward prices in the Southwest have been approximately twice as high as in SP-15 and asserts that the separation of forward prices between SP-15 and Southwest is fully consistent with the existence of transmission barriers that limit the ability of purchasers in the Southwest to procure forward supply from the Northwest that must be delivered across the CAISO-controlled grid.<sup>187</sup>

136. Powerex also argues that CAISO's proposal will discourage efficient transmission investment. Powerex notes that CAISO is but one of multiple transmission providers that form the major interregional transmission paths connecting the Northwest to California

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<sup>185</sup> CAISO September 5 Answer at 55-57.

<sup>186</sup> *Id.* at 21 n.29.

<sup>187</sup> Powerex Answer at 6-10.

and the Southwest, and that the application of CAISO's proposed wheeling through rules will result in a lack of open access along that path, which will discourage investment in the upgraded and new transmission facilities that are needed to maintain reliability, achieve environmental policy goals, and keep electricity affordable to western ratepayers.<sup>188</sup>

137. In its October 2 answer, CAISO asserts that Powerex's claims concerning the alleged price impacts of the CAISO interim wheeling through measures lack merit. CAISO highlights that Powerex's data is based on monthly forward prices before CAISO implemented its wheeling through measures. Further, CAISO contends that Powerex's argument is belied by pricing data from DMM annual reports for 2021 and 2022 that similarly demonstrate the flaws in Powerex's representation of price data. CAISO asserts that the supply and demand pattern changes in California and across the Western United States are what seem to be driving up prices at Palo Verde more than they are at SP-15, not the implementation of CAISO's interim wheeling through measures. CAISO notes that Powerex fails to mention the increasing prices at Mid-Columbia during the summer months (starting in 2021) which further indicate the higher summer prices at Palo Verde are the result of regional supply and demand fundamentals.<sup>189</sup>

138. CAISO dismisses Powerex's claim that the proposed revisions will discourage efficient transmission investment as unsupported. According to CAISO, Powerex's argument is based on the false premise that affording protections for native load under CAISO's transmission service model is somehow inconsistent with open access principles. CAISO emphasizes that the Commission has repeatedly found CAISO's transmission framework to be consistent with or superior to the *pro forma* OATT.<sup>190</sup> Moreover, CAISO states that evidence indicates that CAISO leads the Western United States in supporting efficient transmission investment.<sup>191</sup>

#### **4. Commission Determination**

139. We find that protestors have not demonstrated that CAISO's proposed revisions impair their ability to comply with WRAP requirements or will otherwise deter participation in WRAP. As CAISO states, it will include a provision in its business practice manual to specify that scheduling coordinators should tag Priority Wheeling

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<sup>188</sup> *Id.* at 10.

<sup>189</sup> CAISO October 2 Answer at 4-14.

<sup>190</sup> *Id.* at 15 (citing *Cal. Indep. Sys. Operator Corp.*, 112 FERC ¶ 61,009, at P 39-40 (2005)).

<sup>191</sup> *Id.* at 15-17.

Through transactions as NERC Priority 7F transmission. We note that the Commission has not required CAISO to provide transmission service that is identical to the *pro forma* OATT framework. Nonetheless, we find it reasonable for CAISO to tag Priority Wheeling Through transactions as NERC Priority 7F transmission. Further, as discussed above, we find that CAISO's proposal constitutes a just and reasonable and not unduly discriminatory or preferential method for enabling external load serving entities to access the CAISO transmission system for wheeling through transactions, and, therefore, need not further consider alternative rate designs.<sup>192</sup> We note that CAISO states that it will continue to work with Western Power Pool to ensure that Priority Wheeling Through transactions can support members' supply obligations under WRAP.

140. We find no merit in Powerex's contention that CAISO's proposal will distort competitive market outcomes due to restricted access to transmission. Powerex's argument on this issue is premised on a mistaken belief that CAISO's proposal unduly restricts the ability of external entities to access the CAISO transmission system. As discussed above, we disagree with that claim and instead find that CAISO's proposal strikes a reasonable balance between its need to meet its native load obligations and the need of other entities to obtain service to meet their native load obligations. Further, we reject Powerex's assertion that CAISO's proposal will discourage efficient transmission investment as unsupported and speculative.

141. We find that CAISO's proposal represents an improvement on both the interim proposal and the previously effective CAISO Tariff that can support both CAISO's and external load serving entities' ability to serve load. We find that, by calculating ATC for up to 12 months, CAISO's proposal will make transparent to all load serving entities in the West the amount of CAISO transmission capacity they can rely upon to serve load. External load serving entities can reserve the available capacity with a high curtailment priority (equal to the scheduling priority of CAISO demand)<sup>193</sup> and use this information

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<sup>192</sup> See, e.g., *Oxy USA*, 64 F.3d at 691; *City of Bethany*, 727 F.2d at 1136 (when determining whether a rate was just and reasonable, the Commission properly did not consider "whether a proposed rate schedule is more or less reasonable than alternative rate designs").

<sup>193</sup> CAISO asserts that since it implemented the interim wheeling through Tariff provisions in August 2021, it has never had to curtail Priority Wheeling Throughs under the post-HASP process. CAISO September 5 Answer at 54. CAISO proposes to retain the post-HASP process, with some modifications, and asserts that monthly and daily Wheeling Through Priority awards are unconditional, i.e., the amount of MW awarded in a monthly or daily Wheeling Through Priority cannot be taken back by a longer-duration request in a subsequent request window or when month-ahead RA showings exceed the amount of capacity set aside for native load. Transmittal at 50.

to support their RA plans. We also find that CAISO's proposal allows both CAISO and external load serving entities to request ATC in the daily request window, which provides additional flexibility to deal with near-term conditions.

**F. Scheduling Priority Parameters**

**1. CAISO Proposal**

142. CAISO proposes to retain the scheduling run priority provisions for Priority Wheeling Throughs and non-Priority Wheeling Throughs in sections 31.4 (CAISO Market Adjustments to Non-Priced Quantities in the Integrated Forward Market), 34.12 (CAISO Market Adjustment to Non-Priced Quantities in the Real-Time Market), 34.12.1 (Increasing Supply), and 34.12.2 (Decreasing Supply) that would otherwise expire on May 31, 2024. CAISO states that it must retain the same scheduling priority parameters to implement its proposed solution.<sup>194</sup>

**2. Commission Determination**

143. We accept CAISO's proposal to retain the scheduling run priority provisions for Priority Wheeling Throughs and non-Priority Wheeling Throughs that would otherwise expire on May 31, 2024 as a necessary measure to implement the instant proposal, subject to condition. As explained in the June 2021 Order, these parameters significantly affect the conditions of transmission service on the CAISO grid and, therefore, must be included in the Tariff.<sup>195</sup> Accordingly, we direct CAISO to submit updated Tariff sheets that remove the expiration date for the scheduling run priority provisions within 30 days of the date of this order.<sup>196</sup>

The Commission orders:

(A) CAISO's proposed Tariff revisions are hereby accepted, subject to condition, to be effective November 1, 2023 and June 1, 2024, as requested, as discussed in the body of this order.

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<sup>194</sup> Transmittal at 2, 68.

<sup>195</sup> June 2021 Order, 175 FERC ¶ 61,245 at P 154.

<sup>196</sup> See *NRG Power Mktg., LLC v. FERC*, 862 F.3d 108, 114-15 (D.C. Cir. 2017) (discussing the Commission's authority to propose modifications to a utility's FPA section 205 rate proposal).

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

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.