

**Comments of Powerex Corp. on
Transmission Service and Market Scheduling Priorities – Phase 2
Draft Final Proposal**

Submitted by	Company	Date Submitted
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Powerex submits the following comments on the CAISO’s December 9, 2022 Transmission Service and Market Scheduling Priorities Phase 2 Draft Final Proposal (“Draft Final Proposal”), as further discussed at the December 12 meeting of the CAISO Market Surveillance Committee and the December 16 stakeholder meeting in this initiative.

Powerex strongly opposes the approach that the CAISO has elected to pursue in this initiative. The Draft Final Proposal does not represent a framework for providing open access to the CAISO-controlled grid. Instead, the Draft Final Proposal will further extend the CAISO’s preferential allocation of transmission service on the jointly owned and operated Pacific AC and Pacific DC interties to California load-serving entities (LSEs), shielding them from having to compete with Southwest entities for external available supply and from having to compete to obtain priority transmission service on external systems.

This highly problematic outcome results from:

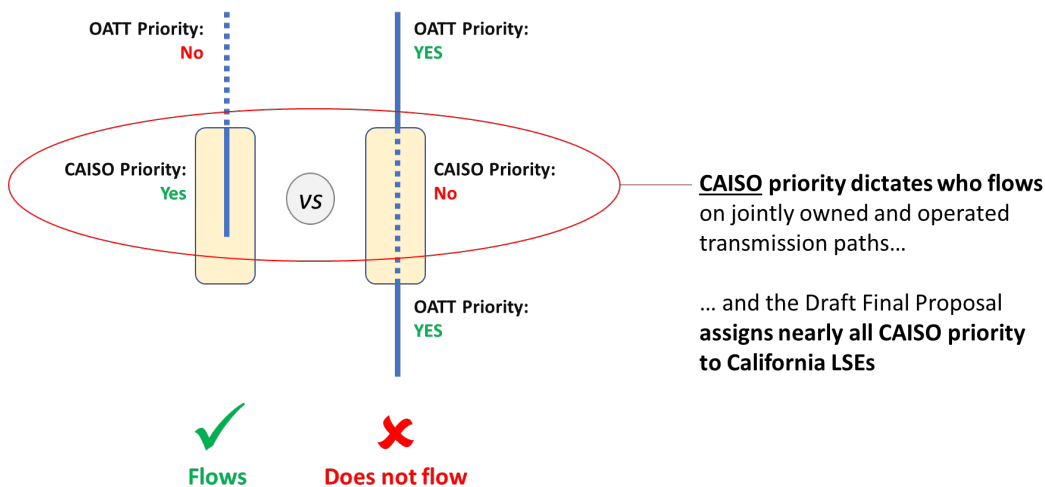
- CAISO market rules, which award schedules on CAISO’s share of the Pacific AC and Pacific DC interties without requiring a complete source-to-sink delivery path. In contrast, external transmission providers do not approve a delivery schedule on their systems without a complete path. This makes receiving a CAISO market schedule the determining element for which entities are able to flow on the jointly owned and operated Pacific AC or Pacific DC interties.
- The Draft Final Proposal would preferentially grant to California LSEs priority in receiving a CAISO market schedule on the CAISO’s share of the Pacific AC and Pacific DC interties, ahead of other market participants seeking CAISO market schedules to deliver supply on these same joint facilities but to serve load outside the CAISO BAA.

In short, the CAISO market rules ensure that CAISO scheduling priority is the priority that matters most, and the Draft Final Proposal will grant that priority preferentially to California LSEs to the greatest extent possible, inconsistent with the principles of open access.¹ The outcome of the Draft Final Proposal will be that California LSEs will have priority not only on the **CAISO’s share** of the jointly owned and operated Pacific AC and Pacific DC interties, but **on the entire jointly owned and operated paths**, including on segments where California LSEs have not procured

¹ This outcome is discussed more fully in Powerex’s [comments](#) on the straw proposal in this initiative.

firm OATT rights. The Draft Final Proposal amounts to an effort to bypass the service priority established under the OATT by external transmission service providers, particularly on the Pacific AC and Pacific DC interties, for the benefit of California LSEs and at the direct expense of:

- i) External transmission service providers and their ratepayers;
- ii) Northwest physical suppliers seeking a competitive market for their supply; and
- iii) Southwest load serving entities seeking to compete for Northwest supply.



The CAISO has already applied some of these preferential elements under the interim approach it put in place days before the start of summer 2021. This interim approach gave California LSEs priority transmission rights to schedule energy imports for their executed Resource Adequacy contracts (without requiring any identified source or any external transmission rights), and has been highly divisive, with many entities outside California opposing it at FERC. The CAISO claimed that prioritizing access for CAISO loads was critical to maintaining reliability in the CAISO BAA going into the summer; it was argued that there simply was no time for a fulsome stakeholder process to develop more carefully considered approaches.² Approval of the admittedly controversial interim approach, CAISO claimed, would give the CAISO and all stakeholders the time needed to develop an appropriate and durable long-term solution.³

A broad cross-section of stakeholders, including Powerex, have participated in this initiative with the hope that a long-term framework would be developed that eliminates the more problematic elements of the interim approach, and provides access to CAISO transmission service on a comparable basis to the open access enjoyed by California LSEs on other transmission providers' systems. Under a comparable approach, the CAISO would provide transmission priority to

² See CAISO Tariff Amendment to Implement Market Enhancements for Summer 2021 – Load, Export, and Wheeling Priorities, FERC Docket No. ER21-1790 (April 2021) Transmittal Letter, at 49 (“The priority provided wheeling through transactions could greatly affect the CAISO’s ability to serve native load.”) and 8 (“...it is infeasible for the CAISO to adopt CBM, changes to ATC calculations, multiple categories of transmission service, or other approaches it considered in time for summer 2021[.]”).

³ *Id.* at 9 (“[The interim approach] also provides needed time for the CAISO to work closely with stakeholders to develop a more durable solution.”)

California LSEs similarly to how external transmission service providers under the OATT provide firm service to native load customers in their areas. Namely, a California LSE would receive CAISO scheduling priority if:

1. The California LSE had built or contracted to receive the output of an identified external resource, including transmission service to the CAISO boundary (*i.e.*, comparable to network service for delivery of a designated network resource under the OATT); or
2. The California LSE had successfully competed for that scheduling priority through an open access process that includes competing requests from entities seeking to wheel-through the CAISO grid to serve external load (*i.e.*, comparable to the open access process for procuring point-to-point service under the OATT).

In both cases, the granting of priority transmission service is the result of competition: either competition to procure external supply delivered to the CAISO border, or competition to directly procure transmission rights on the full transmission path, including scheduling priority on the CAISO grid. Stakeholders have put forward proposals that would achieve this comparable open access, and that would appropriately respect transmission priority on all systems.⁴ The CAISO has repeatedly ignored these concerns and proposals, without even engaging in substantive discussion on the merits.

Rather than develop a long-term framework that addresses the most controversial elements of the interim proposal, the CAISO appears intent on pushing through a Draft Final Proposal that effectively doubles down on the CAISO's views of which customers should have access to flow on jointly owned and operated regional transmission paths, particularly the Pacific AC and Pacific DC interties. Contrary to the open access principles applied elsewhere in the west, the Draft Final Proposal largely *shields* California LSEs from having to compete for external supply, external transmission and CAISO transmission access. Specifically, under the Draft Final Proposal:

1. **California LSEs will be granted priority for “native load use” without having to first procure any identifiable external supply.** Instead, the Draft Final Proposal will grant California LSEs priority transmission access based on *historical* volumes of RA and non-RA contracted imports. This preferential allocation to California LSEs will occur ahead of *any* opportunity for external entities to compete to acquire priority wheel-through service.
2. **California LSEs seeking to acquire additional CAISO priority rights (beyond what was allocated above) will face limited competition from external entities** seeking to procure priority CAISO transmission service for wheeling through to serve load outside of the CAISO. This is because the Draft Final Proposal would:
 - i. Significantly restrict the ability of other parties to request priority rights, including by requiring external entities to demonstrate an executed contract for the supply they intend to wheel through; and
 - ii. Discourage external entities from procuring CAISO priority rights, as they will be charged the full cost of the transmission facilities but will not receive any of the

⁴ See the presentation in this stakeholder initiative by [Vistra and Powerex](#) (February 2022).

congestion rent (which is normally, and appropriately, assigned to the entity funding the underlying transmission facilities).

The Draft Final Proposal will effectively block transmission service on the Pacific AC and Pacific DC interties from being used for the delivery of forward firm supply from Northwest suppliers to Southwest load-serving entities, because forward and spot market deliveries to California LSEs will have priority ahead of those deliveries. The result is that competitive market outcomes are not achieved as entities in the Northwest with available supply are largely cut off from committing that supply to serve customers in the Southwest (to the extent such forward deliveries use the CAISO grid for any transmission segment). This will harm Southwest load-serving entities, who will lose access to a potential source of supply to meet their reliability needs, while also harming Northwest suppliers, including Powerex and other entities with hydro-based supply.

Finally, the Draft Final Proposal appears to render the CAISO service territory as incompatible with the deliverability requirements of the Western Resource Adequacy Program (WRAP). This is because the WRAP's deliverability framework is based on transmission providers throughout the west offering firm transmission service, including firm wheel-through service, that can be relied upon to meet firm load during critical conditions. The CAISO Draft Final Proposal provides no such product, as the priority wheel-through service that the CAISO proposes to offer under the Draft Final Proposal appears to be subject to pro-rata curtailment processes when the CAISO is experiencing supply challenges in its own BAA, even when the underlying transmission facilities have not been derated. In contrast, the availability of firm transmission service under the OATT depends only on the availability of the underlying transmission facilities to support the firm rights that have been granted. This understanding of the availability of firm transmission service is a critical component in the design of the WRAP's deliverability requirements.

The Draft Final Proposal is a clear example of a market design choice that advances the specific interests of California LSEs at the direct expense of ratepayers in other parts of the west. It is not only in clear conflict with open access principles, but it also stands in stark contrast to the equitable, impartial transmission access enjoyed by participants in other organized markets in the nation.