FEDERAL ENERGY REGULATORY COMMISSION

FACT SHEET

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California Independent System Operator
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FERC Approves California ISO Interchange Plans

The Federal Energy Regulatory Commission (FERC) today approved a proposal by the California Independent System Operator (California ISO) that will allow it to more efficiently operate its market by restructuring its tariff to better consider the effects of transactions over its highly integrated interconnection with the Sacramento Municipal Utility District (SMUD) and the Turlock Irrigation District.

Background and Order
The California ISO is highly integrated with the SMUD and Turlock areas. Yet it does not have the information necessary to calculate accurate locational marginal pricing for transactions scheduled from or into these interchanges.

The California ISO is now restructuring its markets through the Market Redesign and Technology Upgrade (MRTU) tariff in an effort to provide accurate locational pricing and to rectify other market inefficiencies. This restructuring is being hampered by the existing modelling of the SMUD and Turlock interchanges where significant differences between day-ahead scheduled flows often do not reflect actual transmission flows and constraints and the operating limits of generators. These infeasible day-ahead schedules require the California ISO to scramble in real time to redispatch its system to accommodate the actual flows and to allocate the costs of the re-dispatch as uplift.

To remedy this, the California ISO proposed establishing modeling and pricing proxy points for import and export transactions that are consistent with the conversion to the new MRTU market design. Under the California ISO's proposal, entities agreeing to provide certain information concerning their transactions into and out of the CAISO market would have alternative pricing available in lieu of the proxy point pricing. FERC conditionally accepted the California ISO proposal, finding it ensures physically feasible day-ahead schedules and helps communicate the true market value of electricity at each location and the cost of congestion between locations.