



California ISO

Subscriber Participating TO Market Scheduling Option Final Proposal

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1. Introduction

On March 12, 2024, the Federal Energy Regulatory Commission (FERC) accepted the California Independent System Operator Corporation (CAISO) tariff amendment for a new transmission development model, the Subscriber Participating Transmission Owner (Subscriber Participating TO).¹ This model establishes alternative opportunities for the construction of new transmission not addressed in the CAISO transmission plan in locations outside of the original CAISO balancing authority area. Specifically, the Subscriber Participating TO model provides the CAISO and interested project developers the option to develop and deliver resources that will satisfy state, municipal, county, or federal policy requirements or directives, including California's energy policy goals. The Subscriber Participating TO model enhances inter-regional transmission resilience, deliverability, and resource adequacy, while providing customers with the benefit of new transmission facilities under the operational control of the CAISO. Having the costs to construct these new transmission facilities paid by subscribers of the projects, instead of being incorporated into the CAISO's transmission access charge funded by transmission ratepayers, while providing the subscribers with an entitlement and Subscriber Participating TO the opportunity to recover revenue for use by non-subscribers are the primary distinguishing features of this model.²

Under the Subscriber Participating TO model, the developer will place the new transmission facilities under CAISO operational control and connect generation to the CAISO balancing area, without a decision to build the project being made through the CAISO's transmission planning process. In exchange, the subscribers who pay for use of the facilities receive scheduling priority and entitlement rights that are consistent with Existing Transmission Contracts (ETCs) for energy scheduled from that generator to internal CAISO demand or CAISO balancing authority area (CAISO BAA) interconnection point, whichever is the exit point of the Subscriber Participating TO transmission facilities. The entitlement rights provide the subscriber with a higher scheduling priority than other self-schedules and economic energy bids that utilize the Subscriber Participating TO transmission facilities. In addition, these entitlement rights also provide the subscribers with a financial hedge against congestion and transmission charges between the generation and the interconnection point to the original CAISO Balancing Authority Area.³

¹ The FERC order accepting the Subscriber Participating TO proposal is available on the CAISO website at: <https://www.caiso.com/documents/mar12-2024-orderacceptingproposedtariffrevisions-subscriberparticipatingtransmissionownermodel-er23-2917.pdf>

² These and other features of the underlying Subscriber Participating TO model accepted by FERC are outside the scope of this stakeholder initiative.

³ The original balancing authority area footprint was established as of FERC approval of the Subscriber Participating TO amendment to the CAISO tariff on March 12, 2024. The original footprint may change overtime with addition of transmission facilities or balancing authority

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The CAISO published an Issue Paper on November 13, 2024 describing certain implementation complexities with the existing ETC model, and proposing alternative market scheduling options to mitigate some of the identified issues. The CAISO published the straw proposal on January 16, 2025 providing additional details on the Congestion Revenue Right (CRR)/economic bidding option, outlining reasons for no longer proceeding with the Unbalanced ETC option, and describing the current implementation of the Subscriber Participating TO model through various numerical examples. The CAISO presented the straw proposal on a stakeholder call on January 27, 2025, and received most stakeholder comments by February 10, 2025. The CAISO notes that there were some comments that were submitted after the comment deadline, and the CAISO decided to extend the Draft Final Proposal posting date by one week to March 14, 2025 in order to consider those comments. The CAISO discussed the Draft Final Proposal with stakeholders on March 21, 2025 and received comments on the Draft Final Proposal by April 9, 2025, which have been reflected in this Final Proposal.

The CAISO is now publishing this Final Proposal to include the comments received on the Draft Final Proposal but is not proposing any permanent changes in the Final Proposal. However, the Final Proposal does include a two-year period during which the non-subscriber usage associated with imports at a Subscriber Participating TO intertie will not be included in any non-subscriber usage payments to the Subscriber Participating TO. The CAISO will gather and report on non-subscriber usage during this timeframe.

2.Subscriber Participating TO Model Implementation

2.1 Current Implementation Issues

The CAISO had identified certain implementation complexities as explained in the Issue Paper, which included the requirement to submit an export schedule at the sink portion of the Subscriber Participating TO transmission system, and potentially require the subscriber to import back the energy into the CAISO BAA to serve CAISO demand. This creates the need for the scheduling coordinators of the Subscriber Participating TO generation to export the generation out and then have to submit corresponding import schedules back into the CAISO BAA in order to serve demand internally within the CAISO BAA.

While, the current model remains workable, it creates certain inefficiencies, which, the CAISO believes could be mitigated through the option proposed in this Final Proposal.

areas. The scheduling priority and financial hedge provisions would be extended beyond the interconnection point if the subscriber has additional transmission rights under Existing Transmission Contracts (“ETC”) from the CAISO BAA interconnection point to their load aggregation point, but otherwise, the scheduling and financial rights end at the end of the Subscriber Participating TO transmission interconnection point to the CAISO BAA.

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By providing the subscriber a CRR/economic bidding option, it allows the subscriber to have one transaction from source to demand sink in the CAISO BAA.

In addition, this requirement to import/export also created challenges if the adjacent BAA were to join EDAM, because the subscriber would be unable to submit an ETC import schedule or bid at an EDAM transfer point in the same manner it does today, the Subscriber would have to rely on the market to optimally dispatch energy to counterflow and effectuate a transfer in the import direction. The CAISO discussed these complexities with stakeholders on November 20, 2024, January 27, 2025, and March 21, 2025, and proposed alternatives to mitigate them, as further described in this Final Proposal. In addition to the complexities discussed, stakeholders raised a number of questions regarding non-subscriber usage, CRR settlement, and impact of WEIM and EDAM rules. This Final Proposal further clarifies the implementation of the CRR/economic bidding option, proposes reporting requirements on the Subscriber Participating TO, and provides a path for monitoring the implementation of the Subscriber Participating TO model and consideration of necessary future changes.

3. Proposed Enhancement

3.1 CRR/Economic Bidding Option

Background

The CAISO further clarified in the Draft Final Proposal the process for Subscribers to exchange their ETCs for CRR Options using a process already in place for certain entities that wish to exchange TORs for CRR Options. These CRR Options would be granted solely for the Subscriber Participating TO transmission path, and would terminate at the interconnection point of the Subscriber Participating TO transmission path with the current CAISO BAA. The CAISO also provided additional clarity regarding subscriber registration, treatment of interconnected generation for subscriber and non-subscriber usage, and interplay of EDAM and WEIM transfer rules with scheduling on Subscriber Participating TO transmission facilities.

Stakeholder Feedback

Pattern and the CAISO Department of Market Monitoring (DMM) generally supported the adoption of the CRR/Economic Bidding option as an enhancement to the available market scheduling options available on Subscriber Participating TO transmission facilities. The CPUC raised questions and concerns with the non-subscriber usage charges as well as wheeling transactions. SCE raised concerns with allowing the provision of non-subscriber usage charge and CRRs to Subscriber Participating TOs to coexist, and proposed a redesign of CRRs. Salt River Project indicated support of the CAISO's acknowledgement that the usage the Arizona Entitlements by CAISO market participants remain subject to the Salt River Project's OATT, business practices and

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transmission service agreement. Both SCE and CPUC also raised questions around application of EDAM access charge for Subscriber Participating TOs.

Proposal

Subscriber Participating TO CRR Conversion Process

The CAISO describes the ETC to CRR conversion process below, which will be applicable to all Subscriber Participating TOs. This process is based on the existing Transmission Ownership Right (TOR) to CRR conversion process described in the CAISO Business Practice Manual for CRRs⁴. The CAISO has further clarified that the ETC to CRR nomination process shall be available on a quarterly basis only, based on the design of the CAISO's new CRR software system.

The following describes the CRR nomination process:

1. The ETC holders of the Subscriber Participating TO will be able to nominate conversion of ETC to CRRs every quarter by following the process described below. The specific type of CRR Options that will be provided to ETC holders are called MT_TOR CRRs.
2. ETC holders may nominate a portion of transmission capacity as CRRs at least 10 days before the published release date of the Full Network Model to be used in CRR allocations for the first month of the applicable quarter. This calendar is posted on the CAISO website. The amount of CRRs must remain unchanged for the quarter.
3. CAISO will reduce the encumbered transmission capacity of the Subscriber Participating TO transmission system by the MWs nominated for CRRs.
4. The nominated CRRs must specify the following:
 - a. Source and sink restricted to the Subscriber Participating TO transmission system. The CRR nomination could be for a single direction, e.g. CRRs could be nominated from IPP to Harry Allen and ETCs reserved in the opposite direction – from Harry Allen to IPP.
 - b. The ETC MWs that are being released as CRR Option MWs
 - c. The time duration of the CRR nomination by quarter.
 - d. Upon nomination, the CRRs will be released for both on-peak and off-peak time periods.
5. The CRR source must be an individual Pnode, aggregate Pnode or Scheduling Point. The CRR MWs in cumulative cannot exceed the transmission line capability.

⁴ Business Practice Manual for Congestion Revenue Rights

<https://bpmcm.caiso.com/Pages/BPMDetails.aspx?BPM=Congestion%20Revenue%20Rights>

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6. The Subscriber Participating TO must submit updated TRTC instructions to CAISO to update the CRR registration commensurate with the release of transmission encumbrance through CRR nomination.

MT_TOR CRR Characteristics

1. The CRRs will only provide IFM congestion hedge to the extent there is any difference in congestion price between source and sink of the CRR, and shall not provide any RTM congestion hedge, consistent with the CRR design today.
2. The CRRs will be settled based on all schedules on the transmission path, (i.e. subscriber and non-subscriber awards). The settlement of the MT_TOR CRRs are generally consistent with how CRR Options are settled in the market today except for the difference noted in (4), and the CAISO is not proposing any changes to this market settlement model to distinguish between subscriber and non-subscriber schedules. By converting ETCs to CRRs, the CRR holders will only receive congestion revenue in IFM for all market schedules from the CRR source to sink; not the scheduling priority or the TAC exemption.
3. With this option, the transmission capacity nominated for CRRs will no longer be subject to ETCs and will be open for scheduling in all CAISO markets. This scheduling will be subject to any restrictions of use based on bilateral contracts between Subscriber Participating TO and non-CAISO transmission service providers that are providing entitlement rights to the Subscriber Participating TO as described later in this Final Proposal.
4. In addition, the MT_TOR CRRs are not subject to CRR underfunding allocation. This is because of the key difference between MT_TOR CRRs and CRRs awarded through the allocation or auction. The CRRs awarded through the allocation or auction are always settled at the awarded MW value, whereas the MT_TOR CRRs can be derated hourly based on the ratio of the operating transfer capability (OTC) and the total transfer capability (TTC) of the particular flowgate/intertie constraint and flowgate/intertie constraint direction that was associated with the source to sink combination of the original ETC from which the CRR holding was converted from.

SCE had proposed in its stakeholder comments that instead of allowing both non-subscriber usage payments and CRRs to be granted to the Subscriber Participating TO, the CAISO should only allow CRRs. SCE did recognize that the current CRRs do not provide the same type of congestion hedge as ETCs, essentially not providing any congestion hedge in the CAISO Real Time Market. SCE proposed that the CAISO redesign CRRs to allow them to provide both IFM and RTM congestion hedge to the subscribers. The CAISO appreciates the solution proposed but will not be pursuing this change at this time. The change proposed is a fundamental restructuring of how CRRs

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work today across the CAISO BA, and would require significant policy, tariff, and software system changes to implement, and is not within the scope of this narrowly focused policy initiative.

Limit Non-Subscriber Scheduling at Certain Export and Import Scheduling Points

The CAISO recognizes that there may be certain restrictions that exist on Subscriber Participating TO entitlements due to limitations established by the OATTs of the non-CAISO transmission service providers. For example, any imports into the CAISO BAA by non-subscribers at Pinal Central would be restricted to non-subscribers that are transmission customers of the transmission service providers that provide the transmission rights over their systems that SunZia represents as entitlements under the Transmission Control Agreement. In this circumstance (or others), the CAISO intends to work with the respective Arizona entities to ensure that only CAISO market participants that are eligible to use the Pinal Central to Palo Verde entitlement rights are able to schedule at Pinal Central to Palo Verde. The CAISO is currently working through the various implementation details on transmission scheduling with the Arizona entities, which includes discussing such restrictions. In order to implement such limitations, only certain SCs will be allowed to schedule at these scheduling points, by limiting the number of SCIDs that can schedule at Pinal Central. The list of SCIDs can be determined based on discussions with parties to the transmission service agreements, i.e. SunZia the Subscriber Participating TO and the Arizona transmission entities, Salt River Project, Western Area Power Administration, and Tucson Electric Power Company.

Subscriber Registration

A market transaction for exports and imports on the Subscriber Participating TO transmission path scheduled without using an ETC is considered a non-subscriber schedule and is subject to those tariff rules, i.e. exports are charged WAC and both exports and imports are counted as non-subscriber usage. Under the CRR option, the subscribers will be free to exchange ETCs for CRRs and schedule using economic bids. Without ETCs, their market awards appear no different than the market awards of non-subscribers that are scheduling imports and exports on the Subscriber Participating TO transmission path.

To address this issue, the CAISO proposes that subscribers must register in CAISO Masterfile, export and import system resources on Subscriber Participating TO transmission scheduling points. If the subscriber schedules using these export and import system resources and receives market awards, the CAISO settlement system will recognize these market transactions and will exempt them from the WAC specific charges. It will also exclude the associated awards from inclusion in the non-subscriber usage payment amount that will eventually be used to pay the non-subscriber payment amount to the Subscriber Participating TO.

This specific arrangement requires the CAISO to setup export and import system resources in a customized manner, as well as the subscribers to limit themselves to

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only using these export and import system resources. This also means subscribers cannot submit export or import market transactions not associated with these export and import system resources without counting as non-subscriber usage. If the subscribers don't utilize these export and import system resources, they will be charged the WAC and be counted as non-subscriber usage. If the subscriber does not schedule using the correct export and import system resources and is treated as non-subscriber usage, the CAISO will not accept any market settlement disputes to remedy such charges.

In its comments on the Draft Final Proposal, the CPUC raised several questions on the treatment of subscriber schedules through exports, imports and internal generation. The CAISO is responding to the comments in the points below:

- Subscribers can submit import/export schedules as intertie transactions as well as bids on interconnected generation. How these schedules are submitted is dependent on the types of resources the subscriber is intending to bid in the CAISO market. For e.g. the import/export schedules can only be submitted in support of intertie resources and cannot be used for interconnected generation such as, the wind generation connected to the SunZia or Transwest Express transmission facilities.
- Subscriber usage on interconnected generation is measured by the registered subscriber capacity while for import/export resources it is measured by their registration as subscriber resources. This is further clarified in Appendix A.
- The CAISO has provided an illustrative discussion of potential non-subscriber usage in Appendix A of the Final Proposal.
- The CAISO's proposal allows for any non-subscriber usage attributed to imports on the Subscriber Participating TO line to be funded through TAC that is eventually paid by CAISO load. The CAISO is not adopting permanent mechanisms to prevent this attribution since it is supported by its approved tariff, but is proposing a two-year temporary suspension of imports contributing to non-subscriber usage payments as described in Section 3.2.⁵
- The CAISO is not proposing any changes based on issues identified in its CRR enhancement initiative, nor is it proposing to change market participation rules in EDAM. EDAM relies on optimized transfers and not scheduled imports and exports, and a change to that structure is a fundamental shift in EDAM policy, which the CAISO is not considering at this time.
- The CPUC raised questions about proposing changes to low priority and priority wheel through penalty parameters. The CAISO is not proposing any changes to penalty parameters of wheel through on Subscriber Participating TO transmission, since any such changes would need to be applied to the market as a whole and not just specific transmission facilities. The CAISO does want to

⁵ FERC further affirmed the non-subscriber usage rate in the SunZia TO Tariff order ER25-170 dated April 17, 2025.

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clarify the implementation of priority wheel through transactions on Subscriber Participating TO transmission by using the scenario below:

Pinal Central will be a new scheduling point on SunZia transmission which will have Available Transfer Capability (ATC) that can be allocated to priority wheel through. The ATC will be reduced by the transmission capacity required to serve native load⁶, which in this case is the RA attributed to the SunZia wind resources as shown in RA supply plans submitted by LSEs. The native load reservation for LSEs will not be at Pete Heinrich since that is not an intertie, but will be reflected at Pinal Central since the generation at Pete Heinrich also utilizes the scheduling capacity at Pinal Central. The same mechanism applies will apply to TransWest Express as well.

Non-Subscribe Usage Payment Calculation

For any non-subscriber export schedules at a Subscriber Participating TO scheduling point, the aggregate value of the exports across the entire trade month will be used to calculate the portion of the non-subscriber usage payment which will be charged to the WAC revenue bucket collected from exports at that Subscriber Participating TO scheduling point. The non-subscriber usage payment amounts will follow the same timeline as Transmission Revenue Requirement (TRR) payments today, which are paid to Participating TOs on a monthly basis. While the CAISO will account for the non-subscriber usage in each market run and trade date, the payment will be based on the summation of all non-subscriber usage over a given trade month and the effective non-subscriber usage rate for the given trade month. The non-subscriber generation will be measured using meter data while import and export schedules will be measured using submitted e-tags. The CAISO will post the effective non-subscriber usage rates on the CAISO website similar to how the High Voltage Access Charge and Wheeling Access Charge are posted today.

For any non-subscriber import schedules at a Subscriber Participating TO scheduling point, the aggregate value of the imports across the entire calendar month will be used to calculate the portion of the non-subscriber usage payment that will be charged to the TAC revenue bucket collected from CAISO BAA demand. For any wheeling transactions, which consist of a paired import and export transaction, the CAISO will calculate the non-subscriber usage for both the import and export transactions, if they are scheduled at a Subscriber Participating TO scheduling point. For e.g. on the TransWest Express system, a wheeling transaction from IPP to Harry Allen Substation will result in the import at IPP being considered non-subscriber usage as IPP is a Subscriber Participating TO scheduling point, but not the export at Harry Allen Substation, since Harry Allen Substation is not the Subscriber Participating TO scheduling point. The non-subscriber charge used in such calculations shall be specific (and potentially different) for each Subscriber Participating TO scheduling point based

⁶ The Wheel Through Priority process and transmission capacity reservation for native CAISO Load is defined under Section 23 of the CAISO Tariff.

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on the Subscriber Participating TO's FERC filed rates, but applicable to both imports and exports at that scheduling point.

In its comments submitted on the Draft Final Proposal, SCE raised concerns with using individualized netting against WAC for non-subscriber usage attributed to imports and exports. The CAISO would like to take this opportunity to further clarify its proposed implementation. The calculation of non-subscriber usage rate at any Subscriber Participating TO scheduling will include the aggregation of all imports and exports at the scheduling point across the trade month. The non-subscriber usage payment created by the total aggregate of export schedules will be paid from the total WAC collected at the scheduling point, with any excess being included in the collective WAC bucket for non-Subscriber Participating TOs. Only the non-subscriber usage payment attributed to imports at the scheduling point, to the extent it happens, will be paid through TAC and will not be charged to WAC.

Subscriber Interconnected Generation

There is a key difference between the treatment of subscriber usage on import/export schedules and Subscriber Participating TO interconnected generators. While for import and export schedules, the subscriber treatment is dependent on whether the export or import system resources have been registered as exempt from WAC and non-subscriber usage calculations, for Subscriber Participating TO interconnected generators the treatment is dependent on the level of subscriber MWs associated with the generator. Regarding any non-subscriber usage of Subscriber Participating TO interconnected generator, the CAISO has included in its implementation a new data field in Master File called subscriber capacity. This will be a MW value per generator resource ID that will identify the MW level of subscriber capacity on a generator. Generally, if the Subscriber Participating TO transmission is fully subscribed and the off-takers are receiving rights to the entire capacity of the generator through PPAs or RA contracts, then the generator resource ID subscriber capacity shall be equal to its registered PMax in Master File. When calculating non-subscriber usage, the CAISO will compare the subscriber capacity MW with the market award received by the generator, and if the market award is higher than the subscriber capacity, then the delta will be counted as non-subscriber usage. But in the cases of fully subscribed generators, there will be zero non-subscriber usage attributed to them.

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EDAM Access Charge Calculation

In the Straw Proposal, the CAISO described the treatment of subscriber and non-subscriber usage under EDAM, based on the most recent tariff filings accepted by FERC governing the CAISO BAA participation in EDAM. This section reiterates that discussion in light of additional comments raised on this subject since that time.

Under EDAM, there will be transfer points established between EDAM BAAs, including the CAISO and its adjacent EDAM BAAs. These transfer points will have BA to BA transfers in the DAM similar to the BA to BA transfers between WEIM BAAs in FMM and RTED. These EDAM transfers are not considered as export or import schedules between the EDAM BAAs, and so are not charged any WAC unlike how export schedules are charged today. In addition, since these EDAM transfers are not an export or import schedule, they will not be included in the non-subscriber payment amounts that are funded through WAC or TAC similar to how WEIM transfers are treated today, but will be subject to a different cost recovery mechanism as described below.

While there will be no WAC charged for EDAM transfers, there may be other cost recovery mechanisms available to the Subscriber Participating TOs under the EDAM rules. In our recent tariff filing⁷, the CAISO proposed to allow Subscriber Participating TO transmission to be considered as either existing or new transmission, similar to the transmission built by other PTOs, and accounted for accordingly. As this tariff filing was approved, the Subscriber Participating TO transmission will be eligible to recover EDAM access charge revenues for non-subscriber usage of their transmission. If the Subscriber Participating TO transmission is placed in service prior to the adjacent BAA joining EDAM, then the transmission will be considered as existing transmission and would be eligible for recovery under the EDAM access charge based on historical schedules of non-subscriber usage on that intertie. The CAISO proposes that import and export schedules submitted without a WAC and non-subscriber payment exemption shall count as historical non-subscriber schedules for purposes of calculating the EDAM access charge. If the Subscriber Participating TO transmission is placed in service after the adjacent BAA joins EDAM, then the Subscriber Participating TO transmission will be considered as new transmission and will recover their non-subscriber usage payments through the EDAM access charge based on estimated schedules of non-subscriber usage.⁸

The SCE and CPUC raised questions on how EDAM access charges will be calculated on the Subscriber Participating TO transmission, primarily due to the lack of historical usage of the transmission prior to EDAM go-live. The CAISO would like to clarify that the EDAM access charge based recovery of non-subscriber usage charge is only applicable when the adjacent BA to the Subscriber Participating TO transmission has joined EDAM, and not concurrent with the implementation of EDAM. Salt River Project

⁷ FERC Docket No. ER25-437 EDAM Access Charge in CAISO Balancing Authority Area

⁸ See the EDAM access charge provisions in CAISO Tariff sections 33.26 and 26 for more information concerning the EDAM access charge and how it will apply in the CAISO BAA. These tariff provisions will be effective on May 1, 2026.

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has not made any indication of joining EDAM, so the EDAM access charge treatment will very likely not be applicable to SunZia in 2026. LADWP and NV Energy have indicated their intent to join EDAM, which will result in usage of the EDAM Access Charge calculation for TransWest Express which is expected to come online in 2029/2030. The CAISO expects to gain experience of the application of the EDAM access charge by that time, and can provide additional clarity on the implementation mechanics in the future.

WEIM Transfers

If the adjacent BAA at the scheduling point is a WEIM balancing area, than post-HASP that scheduling point is considered a transfer point and any incremental awards in FMM and RTED are considered a WEIM transfer. WEIM transfers are not considered an export or import schedule and therefore are not charged WAC nor are they counted towards non-subscriber usage payment amount; *i.e.*, they fall under the WEIM “reciprocity” rules. This is because the tariff language filed regarding calculating of non-subscriber usage payment specified using import and exports schedules in the calculations for non-subscriber usage payment amount and not WEIM transfers which are treated as a different kind of market transaction today.

3.2 Non Subscriber Usage Reporting and Design

Background

The CAISO proposed in the Draft Final Report to proceed with the Subscriber Participating TO design as currently proposed, and allow for a two year operational observation window supplemented by annual reporting of non-subscriber usage on the Subscriber Participating TO transmission facilities.

Stakeholder Comments

The CAISO received stakeholder comments from SCE and CPUC that raised concerns with the proposed non-subscriber usage payment reporting requirement and two-year operational period. CPUC proposed a more frequent reporting requirement of non-subscriber usage payment and SCE opposed the two-year operational observation window.

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Proposal

As noted in the stakeholder comments section, stakeholders have raised questions and concerns with the non-subscriber usage payment reporting, consideration of an import hurdle rate, changes to the CRR design, as well as the proposed two-year assessment window proposed in the Draft Final Proposal.

The CAISO has considered these comments and is proposing the following:

While the CAISO appreciates the need for more granular reporting non-subscriber usage, the CAISO still believes that an annual reporting mechanism is reasonable in terms of providing a more complete picture of the total non-subscriber usage payment made to the Subscriber Participating TO. An annual period will normalize any seasonal variations, and provide a more balanced picture of the total non-subscriber usage on the transmission line. While the CAISO continues to propose the annual reporting, the CAISO will monitor the non-subscriber usage payment on a periodic basis to identify any significant or immediate concerns that may be materially detrimental to reliability or market efficiency or increase ratepayer harm.

Certain stakeholders had raised questions regarding the need to explore some type of hurdle rate/bid adder for any non-subscriber imports on the Subscriber Participating TO transmission facilities, in order to include the transmission charges in the market optimization for energy bids. While the CAISO appreciates the questions and ideas raised, the CAISO will not be pursuing this proposal at this time. As described in the Draft Final Proposal, the inclusion of a hurdle rate or import bid adder raises significant questions regarding price formation, enforcement, bid insertion, market settlement etc. which would require significant stakeholder input, and is well beyond the scope of this initiative.

The CAISO continues to propose the two-year operational window as a compromise to the immediate redesign of the proposed enhancement of allowing CRRs in exchange of ETCs. The CAISO proposes to proceed with the Subscriber Participating TO design as currently proposed in this Final Proposal, allow the SunZia transmission and generation to be fully operationalized in the CAISO market by mid-2026, and allow at least 2 years of operational experience to calculate the actual level of non-subscriber usage on the SunZia line. If CAISO observes that there is a significant level of non-subscriber usage on the SunZia transmission line that is being charged to CAISO demand and receives input from stakeholders that a review of the Subscriber Participating TO non-subscriber usage rate and payment amount mechanisms are required, it will propose a new policy initiative to re-examine the non-subscriber usage rate and payment amount mechanism within a reasonable timeframe.

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However, given the concern raised by stakeholders with the non-subscriber usage payment and their perceived potential for double payment and loss of TAC revenue,⁹ the CAISO proposes to revise the Draft Final Proposal to include a two-year period commencing upon the latest commercial operation date of the generating units interconnected to the Subscriber Participating TO's transmission facilities, during which the non-subscriber usage charge for imports would be calculated but not paid to the Subscriber Participating TO. With respect to the concern of loss of TAC revenue, because there is not any empirical data as to the amount of non-subscriber usage and therefore the payment amount to the Subscriber Participating TO, the ISO will gather and report data concerning non-subscriber usage. The two-year period will allow the CAISO time to gather sufficient data and determine there is significant non-subscriber usage on the Subscriber Participating TO transmission facilities. If this is a significant concern, the two-year period provides the CAISO sufficient time to have a stakeholder process to adjust the non-subscriber usage payment based on usage data. After the two-year period this provision will sunset and the non-subscriber usage payments attributed to imports will resume.

4. WEM Governing Body Role

This initiative proposes certain ISO tariff amendments to enhance the opportunities for transmission developer to become a Participating TO. ISO staff believes that these proposed ISO tariff changes will go to the Board of Governors only and that the Western Energy Markets (WEM) Governing Body will have no role in the decision. Under the new rules, the Board and the WEM Governing Body have joint authority over any proposal to change or establish any CAISO tariff rule(s) applicable to the EIM Entity balancing authority areas, EIM Entities, or other market participants within the EIM Entity balancing authority areas, in their capacity as participants in EIM. This scope excludes from joint authority, without limitation, any proposals to change or establish tariff rule(s) applicable only to the CAISO balancing authority area or to the CAISO-controlled grid.

Charter for EIM Governance § 2.2.1. None of the tariff rule changes currently contemplated in this initiative would be “applicable to EIM Entity balancing authority areas, EIM Entities, or other market participants within EIM Entity balancing authority areas, in their capacity as participants in EIM.” The proposed tariff rules would be applicable “only to the CAISO balancing authority area or to the CAISO-controlled grid.” Accordingly, the matters scheduled for approval in May 2025 fall outside the scope of joint authority. The WEM Governing Body also has an advisory role that extends to any proposal to change or establish ISO tariff rules that would apply to the real-time market but are not within the scope of joint authority. This initiative, however, does not propose changes to real-time market rules.

⁹ The CAISO does not agree with this stakeholder concern. Having the CRR option does not result in double payment as the ETC option provides a perfect hedge for congestion in the day-ahead and real-time markets for the subscriber whereas if the subscriber uses the CRR option they would give up the benefits of the ETC option and instead be given a CRR for the day-ahead market but pay congestion for both the day-ahead and real-time markets. Therefore, only the day-ahead congestion is hedged.

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This proposed classification reflects the current state of this initiative and may change as the stakeholder process moves ahead. Stakeholders are encouraged to submit a response to the EIM classification of this initiative as described above in their written comments, particularly if they have concerns or questions.

5. Stakeholder Engagement

The initiative is posted on the CAISO's initiative webpage here: [California ISO - Subscriber participating transmission owner market scheduling options \(caiso.com\)](https://www.caiso.com/initiatives/subscriber-participating-transmission-owner-market-scheduling-options)

The proposed schedule for this initiative is as follows:

DATE	EVENT
1/17/2025	Publish Straw Proposal
1/27/2025	Stakeholder meeting on Straw Proposal
2/10/2025	Comments due on Straw Proposal
3/14/2025	Publish Draft Final Proposal
3/21/2025	Stakeholder meeting on Draft Final Proposal
4/4/2025	Comments due on Draft Final Proposal
4/24/2025	Publish Final Proposal
5/22/2025	Board of Governors Meeting

Appendix A – Transmission Usage

Matrix of Different Types of Transmission Usage

	Interconnected generation	Import/Exports	WEIM transfers
Non-Subscriber Usage	Non-subscriber usage on interconnected generation is the difference between metered generation in excess of the associated subscriber MW	Non-subscriber usage on import or export transactions is equal to adjusted e-tags, if the import or export resource is not associated with subscribers.	Not applicable
Subscriber Usage	Subscriber usage on interconnected generation is the metered generation that is less than or equal to the associated subscriber MW	Subscriber usage on import or export transactions is equal to adjusted e-tags, if the import or export resource is associated with subscribers.	Not applicable
Other	Not applicable	Not applicable	All WEIM transfers are considered neither as subscriber or non-subscriber usage.

Discussion on Non-Subscriber Usage

As an example using the SunZia transmission project, any flows from Pinal Central to Palo Verde will be limited to 2131MW. The SunZia wind generation has total gross MW output of approximately 3500 MWs, which at a 40% capacity factor will generate a maximum of 12,264 GWh. The total feasible energy flow from Pinal Central to Palo Verde is 18,667 GWh, which uses gross production of 2131 MW at a 100% capacity factor. If 75% of the maximum SunZia wind generation, which equates to 9,198 GWh, is able to flow from Pinal Central to Palo Verde, this leaves approximately 9,469 GWh of energy flow availability on the Pinal Central to Palo Verde transmission path during a given year. SunZia subscribers will continue to have the ability to submit subscriber imports at Pinal Central to utilize any available capacity on this line. Even assuming that the SunZia subscribers use up to 75% of the remaining capacity which equates to 7,102 GWh, this leaves 2,367 GWh of remaining energy flow on the path which could

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potentially count as non-subscriber usage. Utilizing the filed non-subscriber usage charge for Pinal Central to Palo Verde of \$7.6/MWh, this could equate to \$18 Mn of non-subscriber usage payments to SunZia over a year. While this is a substantive amount, the CAISO believes that a significant portion of this non-subscriber energy will likely serve the growing CAISO demand thus giving direct benefits to ratepayers who will ultimately pay for the non-subscriber usage rate. Another point to note is that Palo Verde will also be a scheduling point between Salt River Project and CAISO, and this existing scheduling point will continue to be an alternative to CAISO market participants to schedule on instead of Pinal Central, which would also contribute towards reducing non-subscriber usage for SunZia. The CAISO requests that stakeholders consider these assumptions and the associated nuances, while evaluating the CAISO's proposal to gain more operational experience with the implementation of SunZia prior to contemplating any change to the non-subscriber usage charge and payment mechanism. Nevertheless, the true level of non-subscriber usage will not be known until the Subscriber Participating TO line has been placed in service and operated for a substantive amount of time.