

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System) Docket No. ER12-760-001
Operator Corporation)

**ANSWER TO MOTION TO INTERVENE AND LIMITED COMMENTS JOINTLY
FILED BY SILICON VALLEY POWER AND M-S-R PUBLIC POWER AGENCY**

On January 4, 2012, the California Independent System Operator Corporation (“ISO”) submitted a filing in this proceeding to amend the ISO tariff to include provisions identifying the process the ISO will follow when seeking Commission approval to allocate to one or more stakeholders the cost of any penalty imposed on the ISO.¹ The response to the ISO’s filing has been minimal. No protests have been filed, and two parties filed non-substantive interventions.² The ISO also received a “Motion to Intervene and Limited Comments” (“Comments”) jointly filed by Silicon Valley Power and the M-S-R Public Power Agency (“SVP/M-S-R”) proposing only one change – to the title of the new subsection. No other parties have sought leave to intervene or offered any comments or opposition to the ISO’s filing. The Commission should not adopt SVP/M-S-R’s proposed heading title change because it would render the heading less accurate than the one the ISO submitted.

¹ The ISO submits this answer pursuant to Rule 213(a)(3) of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(3).

² The entities that filed non-substantive interventions are the California Department of Water Resources State Water Project and Modesto Irrigation District.

The ISO proposes to establish a new subsection 14.7, entitled “Allocation of Costs Associated with Penalties,” addressing the procedures the ISO will follow in seeking Commission approval both for “direct” and “indirect” allocations of penalties. SVP/M-S-R recommend that this title be changed to “Allocation of Costs from Reliability Standards Penalties.” Comments at 5-6. That title is not accurate because the ISO’s proposed tariff amendment is not limited to penalties for reliability standards violations. The procedure for requesting a “direct allocation” of a penalty, set forth in subsection 14.7.2, is limited to reliability standards violations, and thus the title for that subsection refers specifically to reliability standards violations. However, as explained in the ISO’s transmittal letter, the procedure for requesting an “indirect allocation” of a penalty, set forth in subsection 14.7.3, applies both to reliability standards violations imposed by the Commission, NERC, or WECC, and to “other monetary penalties imposed by the Commission or another regulatory body.”³ Consequently, SVP/M-S-R’s proposed title could lead to confusion and thus should not be adopted. Moreover, as noted, the Commission has previously concluded, in connection with approving a similar provision proposed by the New York Independent System Operator, that the indirect allocation request procedure may properly apply to penalties imposed by other agencies.⁴

³ January 4, 2012 transmittal letter at 6. The language of the proposed tariff amendment is also clear in this respect. See section 14.7.3.1.

⁴ See *Id.*; *Order Accepting Tariff Revisions*, 127 FERC ¶ 61,196, at PP 19, 30 (2009) (approving an indirect allocation provision authorizing NYISO “to seek Commission approval of the recovery of penalties imposed by other regulatory authorities”).

For the reasons set forth in the ISO's transmittal letter, and given the absence of any other protests or comments, the Commission should instead approve the ISO's proposed tariff amendment unconditionally as filed.

Respectfully submitted,

By: /s/ Burton Gross _____

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Dated: January 27, 2012

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service lists for the above referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2011).

Dated at Folsom, California this 27th day of January, 2012

/s/ Anna Pascuzzo

Anna Pascuzzo