

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

California Independent System Operator     )  
Corporation                                     )  
   )

Docket No. ER11-3873-000

**MOTION FOR LEAVE TO FILE ANSWER OUT OF TIME AND ANSWER OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO  
COMMENTS**

The California Independent System Operator Corporation (ISO) files this Motion for Leave to File Answer Out of Time and Answer to the Motion to Intervene and Comments of Southern California Edison Company, filed in the above-referenced docket on July 14, 2011. SCE's comments express reservations about the ISO's June 23, 2011 filing, in which the ISO proposed amendments to the tariff provisions governing the ISO's Congestion Revenue Rights (CRR) process. SCE is the only party to indicate any lack of support for the ISO's June 23 filing.<sup>1</sup> SCE claims that because the ISO has not yet provided sufficient details regarding two changes to the CRR process – the OTC breakeven point methodology and the local derate factor – referenced in the June 23 filing, it is unable to develop its position on those two changes.

SCE's claims do not provide sufficient basis for the Commission to delay approval of the ISO's June 23 filing. The ISO's proposal is just and reasonable. The ISO provided significant information during the stakeholder process preceding the June

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<sup>1</sup> Powerex Corp. filed comments supporting the ISO's proposed tariff amendments. The following parties filed interventions without comment or protest: California Department of Water Resources State Water Project; Northern California Power Agency; M-S-R Public Power Agency and the City of Santa Clara, California; Modesto Irrigation District; NRG Companies; Pacific Gas and Electric Company; Golden State Water Company; and Alliance for Retail Energy Markets.

23 filing regarding the OTC breakeven point methodology. The local derate factor is within current tariff authority and is thus not covered by the tariff amendments that are part of the June 23 filing. Nevertheless, the day before SCE filed its comments, the ISO provided market participants with additional details regarding the methodology for the local derate factor. Delaying the proposed amendment further will prohibit the ISO from adopting the outages accounting in the annual process unnecessarily and potentially to the detriment of a more equitable distribution of CRRs for 2012. Accordingly, the Commission should approve the ISO's June 23 filing as proposed.

#### **I. Motion For Leave To File Answer Out Of Time**

Pursuant to Rule 213(d) of the Commission's Rules, 18 C.F.R. § 385.213(d), the ISO respectfully requests the Commission to accept this Answer filed out-of-time. The ISO did not submit the Answer sooner due to technical difficulties experienced by the ISO at the time of filing. Commission acceptance is appropriate because this Answer will assist the Commission in its decision-making process by clarifying the ISO's proposal and addressing one market participant's concerns regarding the proposal. Further, its acceptance will not cause any undue prejudice or delay in this proceeding.<sup>2</sup>

#### **II. SCE's Concerns Regarding the ISO's Proposal**

SCE explains that throughout the stakeholder process preceding the June 23 filing, it supported the proposed OTC breakeven point methodology and that it is also open to considering the local derate factor. SCE goes on to claim, however, that it has yet to receive details about how either the OTC methodology or local derate factors will be calculated. SCE further claims that it has not received examples of how either

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<sup>2</sup> See, e.g., *San Diego Gas & Electric Co., et al.*, 120 FERC ¶ 61,201, at P 9 (2007); *California Independent System Operator Corp.*, 125 FERC ¶ 61,055, at PP 18-19 (2008).

methodology would alter historical results. Without sample data or detailed explanations of either methodology, SCE asserts that it is unable to determine how either methodology will impact its ratepayers, and thus is unable to take a position on the ISO's proposal. SCE believes this uncertainty is especially problematic for it because it claims that both methodologies are likely to have a greater impact on it than most other CRR holders.

To address these concerns, SCE requests that the Commission require the ISO to delineate the details of both methodologies in its tariff, rather than in the appropriate business practice manuals. Noting the ISO's requested effective date of August 22 for the proposed tariff amendments, SCE asks the Commission to mandate that the ISO file such additional tariff language before that date. Until it has such information to review, SCE indicates that it cannot support the ISO's June 23 filing.

### **III. SCE Does not Provide Sufficient Basis to Delay Consideration of the ISO's Proposal**

The ISO's transmittal letter and materials released during the preceding stakeholder process provided significant details regarding the OTC breakeven methodology. The ISO's "Annual Market Performance CRR Report,"<sup>3</sup> which was released on March 17, 2011 and was cited in the transmittal letter,<sup>4</sup> provides significant details regarding how the methodology would impact the capacity on various branch groups.<sup>5</sup> The CRR report also includes mathematical formulae describing how the calculations would be made.<sup>6</sup> The transmittal letter itself goes on to provide additional data estimating how the OTC breakeven methodology would impact the capacity

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<sup>3</sup> Available at <http://www.caiso.com/2b44/2b44c6c4383b0.pdf>.

<sup>4</sup> June 23 filing, at 7.

<sup>5</sup> Annual Market Performance CRR Report, at 93-94.

<sup>6</sup> *Id.* at 90-92.

released for several major interties.<sup>7</sup> Furthermore, even before the stakeholder process, the ISO already was sketching the details of the breakeven methodology to stakeholders. Even as far back as June 2010, the ISO began exploring in detail different versions of the breakeven methodology the ISO now seeks tariff authority to implement.<sup>8</sup> Based on this robust record regarding the OTC breakeven methodology, the ISO is puzzled how SCE could claim that it does not have a sufficient basis upon which to evaluate the ISO's proposal.

For different reasons, SCE's objections to the proposed local derate factor are unfounded. As explained in the ISO's revised draft final proposal, the implementation of the local derate factor is within existing tariff authority.<sup>9</sup> Section 36.4 of the ISO's tariff explains that the full network model used in the monthly CRR process should include "adjustments to compensate for the expected impact of Outages that are not required to be scheduled thirty (30) days in advance, including unplanned transmission Outages . . . ." This has justified the prior use of the global derate factor and justifies implementation of the more targeted local derate factor. SCE has not indicated that it disagrees with this construction of section 36.4. Because the ISO is not proposing any changes to the existing provisions that allow for the accounting of outages in the monthly processes, SCE's concern regarding the local derate factor is not within the scope of the tariff amendments currently before the Commission. Even if the Commission were to reject the ISO's filing outright, the ISO's current tariff already

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<sup>7</sup> June 23 filing, at 7, Table 1.

<sup>8</sup> "Methodology for Determining OTC Values for CRR Release Process," (Jun. 4, 2010), *available at* <http://www.caiso.com/Documents/CongestionRevenueRightsOperatingTransferCapabilityMethodologyPaper.pdf>.

<sup>9</sup> 2011 CRR Enhancements Revised Draft Final Proposal, at 6-7, *available at* <http://www.caiso.com/2b84/2b849f3d1a980.pdf>.

permits it to implement the local derate factor methodology. Therefore, it is not clear how delaying this filing further can assist SCE in its attempts to understand the impact of the current filing.

Assuming, *arguendo*, that SCE's concerns regarding the local derate factor were in the scope of the instant filing, its objection is moot. On the regular weekly CRR market participant conference call held on July 13, 2011 (*i.e.*, the day before SCE filed its comments), the ISO provided details regarding how the local derate factor methodology will be applied.<sup>10</sup> Beyond the information that was provided on July 13, the ISO is unable to provide stakeholders with the exact data on how the local derate factor methodology would impact the transmission available on particular transmission elements. This is because the local derate factor would be applied in the monthly process using as a baseline the annual process model generated by the OTC breakeven methodology. Any data that the ISO might provide now that projects the local derate factor would be unreliable since it would have to use as a base the annual process model generated based on the median OTC methodology currently in place. The median OTC methodology currently in place is different from the proposed OTC breakeven point methodology. It is the latter methodology that the ISO intends to use as an input to the local derate factor and it is currently not in place and thus the data is not available. For these reasons, the ISO believes it has provided as much information regarding the local derate factor as it reasonably can at this time.

Finally, the ISO is concerned by the scheduling difficulties inherent in SCE's proposal. If the Commission were to condition approval of the instant filing on the

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<sup>10</sup> CRR Conference Call Meeting Minutes – July 13, 2011, *available at* [http://www.caiso.com/Documents/CRRConferenceCallMeetingMinutes\\_Jul\\_13\\_2011.pdf](http://www.caiso.com/Documents/CRRConferenceCallMeetingMinutes_Jul_13_2011.pdf).

provision of additional tariff language regarding the OTC breakeven methodology as SCE requests, it would essentially result in delaying implementation of the proposed annual outages accounting process until the next annual process run in 2012 for the 2013 calendar year. The ISO aims to provide CRR holders the final CRR full network model used in the annual process by August 26, 2011, with the first allocations being made starting September 20, 2011. If the ISO were not to have tariff authority for the OTC breakeven methodology by this point, it would lock in the significant existing inefficiencies of the current annual process, inuring to the benefit of those parties currently benefited by those inefficiencies and working to the detriment of all other CRR holders. Given that SCE has failed to raise any actual factual basis for derailing this process, the Commission should accept the proposed amendments as filed and allow the benefits of the proposed changes to take effect as soon as the next annual process, which will be conducted in September 2011 for the 2012 calendar year.

#### **IV. Conclusion**

The ISO's June 23 Filing is the result of a considered and deliberate process designed to bring needed improvements to the ISO's CRR processes. SCE's comments offer no basis for the Commission to withhold approval of the ISO's proposal. Many of SCE's concerns have already been addressed. Further, SCE's concerns regarding the local derate factor are totally outside the scope of the ISO's proposed tariff amendments. Finally, granting SCE's request for additional tariff amendments would serve to delay these needed improvements for another year. For these reasons, the Commission should approve the ISO's June 23 filing without amendment or delay.

Respectfully submitted,

**By: /s/ David S. Zlotlow**

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Dated: July 29, 2011

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents upon each party listed on the official service list for the above-referenced proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, CA on this 29<sup>th</sup> day of July, 2011.

*S/L Susan L. Montana*

Susan L. Montana