

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

**California Independent System            )     Docket No. ER13-\_\_\_\_-000**  
**Operator Corporation                     )**

**PETITION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION FOR DISTRIBUTION OF FORFEITED FUNDS COLLECTED  
IN CONNECTION WITH PROCESSING GENERATOR INTERCONNECTION  
REQUESTS**

The California Independent System Operator Corporation (“ISO”) seeks Commission approval of the distribution of funds forfeited from interconnection customers that withdrew from the interconnection queue during calendar year 2011, in accordance with the allocation set forth in Attachment 1 to this filing<sup>1</sup>. The ISO requests confidential treatment of Attachment 1 under 18 C.F.R. § 388.112. The ISO submitted a similar petition in 2011 in Docket No. ER11-4738-000.<sup>2</sup>

**I.     DISCUSSION**

ISO tariff Appendix Y, Generator Interconnection Process (GIP), governs the ISO’s collection and distribution of the funds at issue.<sup>3</sup>

Forfeited Study Deposits. Among other things, the GIP requires each interconnection customer to submit an interconnection study deposit to initiate an

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<sup>1</sup> The ISO makes this petition pursuant to Rule 207 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.207 (2008), sections 3.5.1.1 and 9.4.2.6 of ISO tariff Appendix Y and ISO tariff section 37.9.4f.

<sup>2</sup> The Commission approved the distribution by letter order dated November 23, 2011 in Docket No. ER11-4738-000.

<sup>3</sup> The current version of Appendix Y can be accessed on the CAISO Website at [http://www.caiso.com/Documents/AppendixY\\_FifthReplacementTariff.pdf](http://www.caiso.com/Documents/AppendixY_FifthReplacementTariff.pdf) . Tariff archive versions are accessible at <http://www.caiso.com/rules/Pages/Regulatory/TariffArchive/Default.aspx>

interconnection request. If an interconnection customer decides to withdraw its request from the interconnection queue before the first interconnection study phase is completed, all or part of the unused balance (after deduction of study costs) of its interconnection study deposit is forfeited.

GIP Section 3.5.1.1 provides that forfeited interconnection deposits be allocated to market participants in the same way that penalty proceeds are allocated to market participants, as set forth in ISO tariff Section 37.9.<sup>4</sup>

Forfeited Interconnection Financial Security. The GIP also requires interconnection customers to make three financial security deposits related to the interconnection customer's cost responsibility for its interconnection network upgrades<sup>5</sup>.

Interconnection customers are required to make two of these deposits prior to actual construction of the network upgrades. Interconnection customers make the first security deposit after the first interconnection study phase, and the second security deposit after the second interconnection study phase. If an interconnection customer withdraws before actual construction of the network upgrades, all or a portion of its financial security deposit is also forfeited. The

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<sup>4</sup> GIP Section 3.5.1.1 provides as follows:

**3.5.1.1 Use of Interconnection Study Deposit.**

All non-refundable portions of the Interconnection Study Deposit that exceed the costs the CAISO, Participating TOs, or third parties have incurred on the Interconnection Customer's behalf shall be treated in accordance with *CAISO Tariff Section 37.9.* (italics added for emphasis.)

<sup>5</sup> Customers also make postings for the Participating TO(s) Interconnection Facilities component of the interconnection configuration, but there is no forfeiture of these deposits if a customer withdraws.

GIP provides that these forfeited funds are also treated like collected penalty proceeds, and are distributed in the same manner.<sup>6</sup>

Distribution of Penalty Proceeds. Section 37.9.4<sup>7</sup> . provides that, at the end of a calendar year, the ISO must allocate forfeited funds (together with

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<sup>6</sup> GIP Section 9.4.2.6 provides for treatment of forfeited financial security as follows:

**9.4.2.6 Notification to CAISO and Accounting by Applicable Participating TO(s).**

The applicable Participating TO(s) shall notify the CAISO within one (1) Business Day of liquidating any Interconnection Financial Security. Within twenty (20) calendar days of any liquidating event, the applicable Participating TO(s) shall provide the CAISO and Interconnection Customer with an accounting of the disposition of the proceeds of the liquidated Interconnection Financial Security and remit to the CAISO all proceeds not otherwise reimbursed to the Interconnection Customer or applied to costs incurred or irrevocably committed by the applicable Participating TO(s) on behalf of the Interconnection Customer in accordance with this LGIP Section 9.4. All non-refundable portions of the Interconnection Financial Security remitted to the CAISO in accordance with this LGIP Section 9.4 shall be treated in accordance with *CAISO Tariff Section 37.9.4* (Italics added for emphasis.)

<sup>7</sup> ISO tariff Section 37.9 provides as follows:

**37.9.4 Disposition Of Proceeds**

The CAISO shall collect penalties assessed pursuant to this Section 37.9 and deposit such amounts in an interest bearing trust account. After the end of each calendar year, the CAISO shall distribute the penalty amounts together with interest earned through payments to Scheduling Coordinators as provided herein. For the purpose of this Section 37.9.4, "eligible Market Participants" shall be those Market Participants that were not assessed a financial penalty pursuant to this Section 37 during the calendar year.

Each Scheduling Coordinator that paid GMC during the calendar year will identify, in a manner to be specified by the CAISO, the amount of GMC paid by each Market Participant for whom that Scheduling Coordinator provided service during that calendar year. The total amount assigned to all Market Participants served by that Scheduling Coordinator in such calendar year (including the Scheduling Coordinator itself for services provided on its own behalf), shall equal the total GMC paid by that Scheduling Coordinator.

The CAISO will calculate the payment due each Scheduling Coordinator based on the lesser of the GMC actually paid by all eligible Market Participants represented by that Scheduling Coordinator, or the product of a) the amount in the trust account, including interest, and b) the ratio of the GMC paid by each Scheduling Coordinator for eligible Market Participants, to the total of such amounts paid by all Scheduling Coordinators. Each Scheduling Coordinator is responsible for distributing payments to the eligible Market Participants it represented in proportion to GMC collected from each eligible Market Participant.

Prior to allocating the penalty proceeds, the CAISO will obtain FERC's approval of its determination of eligible Market Participants and their respective shares of the trust

accrued interest), to the Scheduling Coordinators of eligible market participants.<sup>8</sup>

The tariff section also sets out a distribution formula for distribution to the

Scheduling Coordinators. The payment due is the product of:

(a) the amount in the trust account, including interest; and

(b) the ratio of grid management charge (GMC) payments by the scheduling coordinator on behalf of eligible market participants to the total of such amounts paid by all scheduling coordinators,

with an upper limit: the payment cannot be more than the amount of GMC paid by the scheduling coordinator on behalf of all eligible market participants that the scheduling coordinator represents.

When the ISO distributes the funds to the scheduling coordinator, the scheduling coordinator is then responsible for distributing the amounts to the eligible market participants that it represents, in proportion to market participant's share of the GMC that the scheduling coordinator paid (during the relevant calendar year) on the market participant's behalf.

Section 37.9.4 requires the ISO to "obtain FERC's approval of its determination of eligible Market Participants and their respective shares of the trust account proceeds" before distributing the forfeited funds.

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account proceeds. If the total amount in the trust account to be so allocated exceeds the total GMC obligation of all eligible Market Participants, then such excess shall be treated in accordance with Section 11.8.5.3(b).

<sup>8</sup> For purposes of penalty allocation, eligible market participants are those market participants that were not assessed a financial penalty under Section 37 during the relevant calendar year(s). This limitation on eligibility does not apply to the allocation of forfeited interconnections deposits.

## II. REQUEST FOR APPROVAL OF DISTRIBUTION

The ISO seeks approval to distribute the forfeited generator interconnection funds collected in calendar year 2011. In 2011, the ISO collected \$6,317,986.44 in forfeited funds.<sup>9</sup> As of June 30, 2012, these funds accrued \$7,192.21 in interest. Upon Commission approval to distribute the forfeited funds, the ISO will recalculate the final interest amount to correspond to the actual day of the distribution.

<b>Forfeited Funds</b>	<b>Amount</b>	<b>Interest (Prorated)</b>	<b>Total</b>
Forfeited Study Deposits – 2011	\$1,396,907.97	1,582.29	\$1,398,490.26
Forfeited Financial Security Instrument Deposits – 2011	4,921,078.47	5,609.92	4,926,688.39
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Total	\$6,317,986.44	\$7,192.21	\$6,325,178.65

Using this forfeiture and accrued interest data, the ISO has calculated the allocation for forfeited generator interconnection deposits under the methodology set forth in section 37.9.4. The results of that calculation are included in Attachment 1.

Request for Confidential Treatment of Attachment 1. Consistent with the approach the ISO has followed in previous filings with the Commission for approval of disposition of penalty proceeds, the ISO is requesting that Attachment 1 be afforded confidential treatment under 18 C.F.R. § 388.112.

<sup>9</sup> Under the ISO's interconnection procedures, financial security postings are held by the participating transmission owners and refunds of non-forfeited amounts are made by the participating transmission owners. Participating transmission owners transfer the forfeited funds to the ISO for distribution in accordance with the ISO tariff. The ISO has been advised that there is a shortfall in the amount to be distributed affecting four interconnection customers and two participating transmission owners. The ISO is consulting with the affected participating transmission owners and will file a subsequent petition if additional funds become available for distribution.

Public disclosure of the information would identify the names of each interconnection customer who withdrew either from the ISO generation interconnection queue for the relevant period or prior to the actual construction of a network upgrade. In practice, the ISO maintains confidentiality of customers, and identifies interconnection requests only by queue number on the ISO webpage for the generator interconnection queue, and does not disseminate public compilations of interconnection customer names for those who have withdrawn from the queue, or before interconnection customers execute interconnection agreements.<sup>10</sup>

### **III. CORRESPONDENCE AND MARKET NOTICE**

The ISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following:

\*Baldassaro “Bill” Di Capo,  
Senior Counsel  
California Independent System  
Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630  
Tel: (916) 608-7157  
Fax: (916) 608-7222  
[bdicapo@caiso.com](mailto:bdicapo@caiso.com)

*\*Individual designated for service pursuant to 18 C.F.R. § 203(b) (3).*

Because this matter may be of interest to all Scheduling Coordinators, the ISO will issue a market notice of this filing.

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<sup>10</sup> See, e.g. GIP Section 3.6, which provides in pertinent part that “except in the case of [disclosure to] an Affiliate, the list [of interconnection requests on the CAISO website] will not disclose the identity of the Interconnection Customer until the Interconnection Customer executes a GIA [i.e. generator interconnection agreement] or requests that the applicable Participating TO(s) and the CAISO file an unexecuted GIA with FERC.

#### IV. CONCLUSION

Accordingly, the ISO requests that the Commission approve the distribution of forfeited funds described in Attachment 1 and provide confidential treatment of Attachment 1 under 18 C.F.R. § 388.112.

Respectfully submitted,

**By: /s/ Baldassaro “Bill” Di Capo**

Nancy J. Saracino

General Counsel

Roger Collanton

Deputy General Counsel

Sidney M. Davies

Assistant General Counsel

Baldassaro “Bill” Di Capo

Senior Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: (916) 608-7157

Fax: (916) 608-7296

[bdicapo@caiso.com](mailto:bdicapo@caiso.com)

Attorneys for the California Independent  
System Operator Corporation

December 11, 2012

## **ATTACHMENT A**

**ATTACHMENT 1**

**[ATTACHMENT CONSISTS OF PRIVILEGED MATERIAL]**

**Petition of the California Independent System Operator Corporation for  
Disposition of Forfeited Funds Collected in Connection With Processing  
Interconnection Requests**

**Filed December 11, 2012**

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in 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. § 385.2010).

Dated at Folsom, California this 11<sup>th</sup> day of December 2012.

*Anna Pascuzzo*  
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