

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

**California Independent System                    )     Docket No. ER15-1347-000**  
**Operator Corporation                            )**

**ANSWER TO COMMENTS**

The California Independent System Operator Corporation (“CAISO”) respectfully submits its answer to the comments filed in the above-identified docket.<sup>1</sup> This proceeding concerns the CAISO’s filing of the Implementation Agreement between the CAISO and Puget Sound Energy Inc. (“PSE”), which provides the project framework for PSE to commence participation in the energy imbalance market that the CAISO operates. PSE would begin participation on October 1, 2016. As explained below, the Commission should accept the Implementation Agreement as filed and without condition.

**I. Background and Introduction**

On March 20, 2015, the CAISO filed the Implementation Agreement to establish the contractual terms under which the CAISO will take the steps necessary to configure and expand the CAISO’s real-time energy market to provide energy imbalance service to PSE and its transmission customers. The Implementation Agreement is largely identical to the CAISO’s implementation agreements with PacifiCorp and NV Energy, which the Commission accepted as just and reasonable in orders issued on June 28,

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<sup>1</sup> The ISO submits this answer pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213.

2013 and June 13, 2014, respectively.<sup>2</sup> The March 20 filing also included attachments containing cost support for the fixed implementation fee under the Implementation Agreement and an analysis of the expected benefits of PSE's participation in the energy imbalance market.

PSE filed comments wholly in support of the Implementation Agreement and no intervenor protested the Commission's approval of the Implementation Agreement. The Bonneville Power Administration ("Bonneville"), the Public Power Council ("PPC"), the Transmission Agency of Northern California ("TANC"), Public Utility District No. 1 of Snohomish County, Washington ("Snohomish"), and Powerex Corp. ("Powerex") submitted comments that the CAISO answers below.

Those comments all focus on implementation details that have already been addressed by the Implementation Agreement or will be addressed in the CAISO's compliance filing directed by the Commission in its March 16, 2015 order in Docket Nos. ER15-861-000 and EL15-53-000.<sup>3</sup> Similar to its actions with respect to PacifiCorp and NV Energy, the Commission should accept the Implementation Agreement as just and reasonable without condition or modification and defer consideration of issues that do not presently concern the justness and reasonableness of the Implementation Agreement to other pending or future proceedings to which those issues may be relevant.

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<sup>2</sup> *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,298 (2013); and *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,200.

<sup>3</sup> *Cal. Indep. Sys. Operator Corp.*, 150 FERC ¶ 61,191 (2015) ("March 16 Order").

## II. Answer

Bonneville, Powerex, PPC, and Snohomish each comment on the commitment of PSE and the CAISO in the Implementation Agreement either to include PSE in the memorandum of understanding among the CAISO, PacifiCorp, and Bonneville or to negotiate a new memorandum of understanding with Bonneville.<sup>4</sup> PSE and the CAISO understand that collaboration with Bonneville is essential for PSE to realize the full benefits of participation in the energy imbalance market, and that the outcome will be of interest in the Pacific Northwest. PSE and the CAISO included this provision in the Implementation Agreement precisely for the purpose of considering the concerns raised by Bonneville that PSE must coordinate with Bonneville to ensure that any energy imbalance market activity is consistent with PSE's transmission rights on Bonneville's system.

Powerex and PPC question the statement in the transmittal letter for the Implementation Agreement that the engagement with Bonneville with respect to PSE's implementation will be similar to the engagement that was necessary to support PacifiCorp's implementation. The CAISO meant similarities in terms of the process and spirit of the engagement, not the substance. The CAISO is committed to engaging with Bonneville to consider implementation issues that are unique to PSE and anticipates the same collaborative spirit as was demonstrated with respect to PacifiCorp's implementation into the energy imbalance market.

PSE and the CAISO recognize that PSE's implementation into the energy imbalance market presents new and unique issues that should be considered and

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<sup>4</sup> Bonneville at 3-4; Powerex at 6-7; PPC at 4-5; Snohomish at 3-4.

addressed with Bonneville, most notably the difference between PSE and PacifiCorp in terms of the transmission rights needed to connect PSE to the energy imbalance market. These circumstances necessarily merit further consideration but do not justify any requirement that the Implementation Agreement specifically address them or be conditioned upon their resolution.<sup>5</sup> Further, the fact that the benefits analysis assumes the energy imbalance market would use PSE's transmission rights on Bonneville's transmission system does not call into question any aspect of the Implementation Agreement. The Implementation Agreement simply recognizes the need to work out some implementation details. Conditions regarding the outcome of the discussions at this time would be premature as the parties have not fully engaged in their consideration of potential options and alternatives.

The CAISO recognizes that further Commission action may be required depending on the approach taken by PSE and Bonneville with respect to the use of PSE's transmission rights. However, the Implementation Agreement itself requires no further provision, condition, or assurance to be just and reasonable.

Bonneville, Powerex, and TANC each reference the directive in the March 16 Order that requires the CAISO to develop tariff criteria through a collaborative process with its stakeholders to ensure the readiness of new participants in the energy imbalance market. These readiness criteria will include a requirement to conduct market simulation and parallel operations, as well as to develop readiness criteria through a stakeholder process and to certify readiness at least 30 days prior to

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<sup>5</sup> The energy imbalance market benefits from the transfer capability available among participating balancing authority areas but can also function without it.

implementation. The comments suggest that the effectiveness of the Implementation Agreement should also be conditioned upon meeting certain readiness criteria.<sup>6</sup>

There is no need to impose additional readiness requirements on the CAISO or PSE at this time. The readiness requirements set forth in the March 16 Order will apply to the NV Energy implementation planned for October 2015, without modification of the implementation agreement between NV Energy and the CAISO. Had the Commission been concerned that such requirements should be included in the NV Energy implementation agreement, the Commission could have taken action to revise that agreement. But the Commission chose not to take such action. The same readiness requirements set forth in the March 16 Order will apply equally to the PSE Implementation Agreement. PSE has explained that, to the extent the Commission's investigation in Docket No. EL15-53-000 leads to additional readiness requirements for energy imbalance market entities not captured in the Implementation Agreement, PSE will fully comply with those requirements.<sup>7</sup>

Requiring the implementation agreement of each new energy imbalance market entity to include additional readiness criteria is unnecessary and would create a risk that some entities could be treated differently from others. Any such differences in treatment should be considered through the stakeholder process for inclusion in the readiness criteria as required by the Commission, not in the implementation agreements. The Commission's directive to develop readiness criteria through a stakeholder process will

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<sup>6</sup> Bonneville at 3; Powerex at 5-6; TANC at 6 (each citing March 16 Order at P 34).

<sup>7</sup> PSE at Section IV.C.

ensure consistent treatment without requiring the CAISO and interested entities to open implementation agreement negotiations to third parties.

### **III. Conclusion**

For the reasons explained above and in the CAISO's March 20 filing in this proceeding, the Commission should accept the Implementation Agreement with PSE as filed and without condition.

Respectfully submitted,

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Dated: April 17, 2015

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties 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 this 17th day of April, 2015.

*/s/ Anna Pascuzzo*

Anna Pascuzzo