



August 13, 2015

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket No. ER15- ____ -000**

**Tariff Amendment to Implement Settlement Process for Reliability
Coordinator Charges**

Dear Secretary Bose:

The California Independent System Operator Corporation ("CAISO") submits this tariff amendment to implement a settlement process for the charges the CAISO will receive from Peak Reliability ("Peak") for reliability coordinator services.¹ The process, as outlined below, closely resembles the process the CAISO currently uses to allocate and settle annual "NERC/WECC" charges, which include the reliability coordinator charges that Peak is expected to start billing separately beginning with the 2016 funding year.

The CAISO requests that the Commission issue an order by October 15, 2015 accepting the tariff revisions contained in this filing effective as of that date.

I. INTRODUCTION AND EXECUTIVE SUMMARY

With the recent bifurcation of the Western Electricity Coordinating Council ("WECC"), Peak Reliability was formed as a separate, independent company to perform the reliability coordinator function in the Western Interconnection. This function had previously been performed by WECC, and WECC has included the costs of those reliability coordinator services, as well as charges for WECC's function as a regional entity, in a single invoice that WECC issues. The CAISO's existing tariff provisions regarding settlement of "NERC/WECC charges" allow the CAISO to pass through these charges for WECC services to scheduling coordinators serving load.

¹ The CAISO submits this filing pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d.

To fund its reliability coordinator services as a separate, standalone company, Peak has developed a funding agreement that it has been in the process of executing with balancing authorities and certain transmission operators throughout the Western Interconnection, including the CAISO. This agreement allocates Peak's charges for the reliability coordinator function according to essentially the same percentage of total load formula that WECC has used to allocate reliability coordinator charges embedded within the WECC invoice, with only minor changes that are inapplicable to the CAISO to ensure that a balancing authority that has no load would pay a nominal minimum charge. On August 11, Peak filed a notice with FERC informing FERC that it has achieved the requisite number of signatures necessary for the Agreement to go into effect for the 2016 funding year, thus replacing its current funding approach whereby its bill is rolled into WECC's invoice.²

Because Peak's charges will no longer be included in the CAISO's annual invoice from WECC the CAISO billing and settlement provisions for "NERC/WECC" charges can no longer be used for collecting Peak charges, and a set of provisions specific to Peak's separate reliability coordinator charges needs to be put in place. The CAISO thus has developed the tariff revisions proposed in this transmittal letter for the Peak charges, which are closely modeled on the existing tariff provisions for the billing and collection of NERC/WECC charges. As discussed below, the CAISO proposes to use the same cost allocation methodology for the Peak charges as is currently used for NERC/WECC charges. This means that scheduling coordinators will be assessed the same percentage of the cost for reliability coordinator services that they receive under the current NERC/WECC invoice. The CAISO has also developed a settlements process for the annual Peak charge similar to the current process for NERC/WECC charges but with certain changes to address the CAISO's payment obligation to Peak based on a direct bill arrangement that is not in place under WECC.

Peak is in the process of finalizing and executing its funding agreement with its balancing authority and transmission operator counterparties across the Western Interconnection. Pursuant to the agreement, the CAISO understands that Peak will be sending parties their first annual invoice – covering the 2016 funding year – on or around November 1, 2015. The CAISO has requested an October 15, 2015 effective date for this tariff amendment in order to have these provisions in place in time to process Peak's first annual invoice.

² See *Informational Filing of Peak Reliability, Western Electricity Coordinating Council*, Docket Nos. EL13-52-___, RR13-12-___ (filed on August 11, 2015).

II. BACKGROUND

A. Peak Reliability and Development of a Peak Funding Agreement

On June 20, 2013, FERC issued a declaratory order approving the bifurcation of WECC and the plan to establish a separate independent company to perform the reliability coordinator function for the Western Interconnection.³ In this Order, together with a subsequent order approving Peak's bylaws, FERC conditionally approved continuing to fund the reliability coordinator function as a statutory activity under Section 215 of the Federal Power Act, provided that Peak develops and presents to its members a plan for a potential alternative funding mechanism within two years after bifurcation.⁴

During the period that Section 215 funding has been in place, Peak's charges have continued to be rolled into WECC's budget as a line item, and WECC has provided a consolidated annual bill to the CAISO and other funding parties to cover Peak's reliability coordinator charges. Under that existing arrangement, the CAISO has authority to pass these charges through to scheduling coordinators pursuant to tariff section 11.20, which establishes the billing process for NERC/WECC charges.

Once section 215 funding ends, Peak will move to a direct billing arrangement whereby Peak will directly bill the CAISO and other balancing authorities and certain transmission operators in the Western Interconnection for their respective shares of Peak's annual reliability coordinator charges. This new billing arrangement is now poised to go into effect. In May and June of this year, Peak's Board of Directors and Peak's membership respectively approved a new funding agreement that is intended to go into effect for the 2016 funding year. The CAISO has executed the funding agreement and understands that Peak is currently in the process of obtaining signatures from the other balancing authorities and applicable transmission operators throughout the Western Interconnection. As noted, Peak has also recently notified FERC that it has achieved the requisite number of signatures to move forward with its funding agreement beginning with the 2016 funding year. The CAISO thus expects to receive the first Peak stand-alone annual invoice by no later than November 1, 2015 and will be required to pay the invoice by no later than January 2, 2016.

B. NERC/WECC Charges

For the 2015 funding year, the CAISO's share of Peak's total budget for the reliability coordinator function was approximately \$12.2 million. The CAISO assessed that amount to, and collected from, scheduling coordinators as part of their

³ Order on Petition for Declaratory Order, 143 FERC ¶ 61,239 (June 20, 2013).

⁴ *Id.* at ¶¶ 40-42; Order on Rehearing, Independent Reliability Coordinator for Western Interconnection Filings, and Directing Compliance Filings, 145 FERC ¶ 61,202, at ¶ 51 (December 6, 2013).

NERC/WECC charges, which are allocated to scheduling coordinators' respective share of load. As noted, under the new separate billing process by Peak, the CAISO on or about November 1 of each year will receive an invoice for an amount that reflects the CAISO's allocable share of Peak's annual charges for reliability coordinator services the following calendar year. Beginning in 2016, the NERC/WECC charges thus will no longer include reliability coordinator service charges and will decrease accordingly.

This tariff amendment is necessary because the language of the CAISO's existing tariff provisions allowing the pass through of NERC/WECC charges to scheduling coordinators does not apply to a separate, stand-alone invoice from Peak for reliability coordinator services. The CAISO proposes to apply to the Peak charges using the same allocation methodology and most of the same settlement processes that are currently in existence for NERC/WECC charges.

C. Stakeholder Process and Consideration by CAISO Governing Board

On May 8, 2015, the CAISO initiated a stakeholder process by posting the straw proposal and draft tariff language, and issuing a market notice that a stakeholder conference call would be conducted to discuss the initiative. The conference call was held on May 15, 2015. Two stakeholders submitted comments on the straw proposal and draft tariff language.

On May 28, 2015, the CAISO posted the draft final proposal and issued a market notice to schedule a stakeholder conference call to discuss the proposal and revised draft tariff language. The conference call was held on June 2, 2015.⁵

The CAISO Governing Board authorized the preparation and filing of this tariff amendment at its June 30, 2015 public meeting.⁶

III. PROPOSED TARIFF REVISIONS

A. Allocation of Reliability Coordinator Charges

Proposed sections 11.20.9.1 and 11.20.9.2 set forth the methodology the CAISO will use for allocating Peak's reliability coordinator charges and the basic process for notifying market participants of the charges. As is done currently for NERC/WECC charges, after receiving the annual invoice from Peak, the CAISO will issue a market notice to advise market participants of the invoice and the charge rate the CAISO will

⁵ Materials for the stakeholder process are available on the CAISO website at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/PeakReliabilityCoordinatorFunding.aspx>

⁶ Materials related to the Board's authorization to prepare and submit this tariff amendment are available on the CAISO website at <http://www.caiso.com/informed/Pages/BoardCommittees/Default.aspx>. The materials include a June 24, 2015 memorandum to the Board from Ryan Seghesio, CAISO Chief Financial Officer and Treasurer, which is provided in attachment D to this filing.

use for the assessment year. The CAISO will calculate the charge rate using the total dollar amount of reliability coordinator charges invoiced to the CAISO divided by the most recent total NERC/WECC metered demand.

The CAISO proposes to allocate the reliability coordinator charges to each scheduling coordinator serving load in the CAISO balancing authority area using the most recent NERC/WECC metered demand for that scheduling coordinator. This is the same methodology that the CAISO currently uses to allocate NERC/WECC charges. By using a consistent allocation methodology, the CAISO will ensure that scheduling coordinators' current respective allocation of NERC/WECC charges is the same as their reliability coordinator charges and are not subject to change because of direct billing by Peak. Rather than receiving one invoice, scheduling coordinators will receive two invoices (one for NERC/WECC and another for reliability coordinator charges), but their payment obligation will effectively remain the same.

One stakeholder submitted comments requesting that the CAISO consider modifying the proposed allocation of the Peak assessment to include scheduling coordinators for resources as well as scheduling coordinators for load. The comment suggested that both resources and load benefit from the reliability coordinator services and should share in the cost of the reliability coordinator services. The CAISO has not made that modification. The proposed methodology has previously been approved by FERC as a just and reasonable methodology for the CAISO to recover NERC/WECC charges, which have included the cost of the reliability coordinator function. The bifurcation of Peak, resulting in two separate invoices, does not provide a basis for departing from this methodology that FERC has found to be just and reasonable, particularly given that Peak will continue to use a load-based methodology for allocating its reliability coordinator charges to the CAISO and other balancing authority areas. Because Peak, like WECC before it, will be using a load-based allocation methodology, it is appropriate for the CAISO to use a load-based methodology for sub-allocating these charges to its scheduling coordinators. This approach is consistent with generally accepted cost allocation principles because it aligns the allocation with the driver for the charge imposed on the CAISO, which is the amount of load served within the CAISO's balancing authority area.

B. Confirmation, Validation and Dispute Process

The proposed confirmation and validation requirements for the reliability coordinator charge invoice will be substantively the same as for a NERC/WECC invoice with only one change relating to the time for raising a dispute, which the CAISO proposed to express in the equivalent number business days rather than calendar days to avoid a due date falling on a weekend or holiday. Under proposed section 11.20.9.3, it will be the responsibility of the scheduling coordinator to notify the CAISO if it does not receive the invoice, and absent such notice, the scheduling coordinator will be deemed to have received its invoice. Under proposed section 11.20.9.4, each scheduling coordinator will have the opportunity to review the invoice and will be deemed to have

validated the invoice unless it raises a dispute within five business days of the date of issuance. Once validated, the invoice is binding on the scheduling coordinator.

The CAISO also proposes to utilize the same basic dispute process for the Peak reliability coordinator invoice as currently applied to the NERC/WECC invoices that have in the past included the cost of the reliability coordinator function. Under proposed sections 11.20.9.5(a) and (b), scheduling coordinators will be prohibited from disputing any of the reliability coordinator charges, unless there is a typographical or other ministerial error by the CAISO, and must submit any dispute in accordance with the dispute procedure in the business practice manual. Limiting the grounds for dispute in this manner is reasonable because the components of the invoice – the amount of the reliability coordinator charges and calculation of NERC/WECC meter demand – will be subject to prior review in a different forum. Consistent with current practice, Peak's proposed alternative funding agreement provides Peak members with an opportunity to comment on Peak's proposed annual expenditures for the reliability coordinator function in advance of the funding year during Peak's open budget process. To the extent Peak members have concerns about the total magnitude of Peak's proposed reliability coordinator budget, that commenting process is the forum in which to raise those matters. Any questions about the CAISO's or the individual market participant's MWs of NERC/WECC metered demand will be considered as part of the settlement process for NERC/WECC charges under Section 11.20.4, and will be resolved before the CAISO invoices the reliability coordinator charges. Accordingly, the basis to dispute the reliability coordinator charges is appropriately limited to a typographical or ministerial error, as is the case today.

If the CAISO determines that a typographical or other ministerial error has occurred, and the resolution of the dispute makes correction necessary, the CAISO will issue a corrected invoice. This will ensure that all scheduling coordinators are billed for the correct amount.

C. Payment and Default

The CAISO has proposed payment and default provisions for Peak reliability coordinator charges that establish how the CAISO will collect payments in the event that a scheduling coordinator does not pay its invoice. These are new provisions that do not exist for NERC/WECC charges. The reason for the difference is that the CAISO's payment obligations to WECC for NERC/WECC charges and to Peak for reliability coordinator charges differ. The CAISO is currently required to forward to WECC only the NERC/WECC charges it collects from scheduling coordinators and a list of any scheduling coordinators that did not make full payment of the amount owed, with no further payment obligation. CAISO has no obligation to make up for any shortfall in the amounts that are due to WECC as a result of a scheduling coordinator failing to pay its CAISO invoice. By contrast, under Peak's new funding agreement the CAISO (like all other funding parties) will now be required to pay the Peak invoice for the reliability

coordinator charges in its entirety, regardless of whether a scheduling coordinator pays their CAISO invoice in full.

Proposed section 11.20.9.2(d) will require scheduling coordinators to make timely payment of the reliability coordinator charge invoice within 15 business days of the date the invoices were issued. If a scheduling coordinator defaults on payment of all or part of the reliability coordinator charge invoice, the CAISO will follow existing tariff authority applicable to payment defaults. Under proposed section 11.20.9.6(a), in the event of a default, the CAISO may exercise its rights under section 11.29.13.3 to enforce the financial security provided by the defaulting scheduling coordinator, or take other action under sections 11.29.12 or 11.29.13 to obtain payment from the defaulting scheduling coordinator for the amount owed.

In response to a stakeholder comment, the CAISO has also included a provision in proposed section 11.20.9.1(d) establishing that a scheduling coordinator's financial security requirements shall account for the scheduling coordinator's allocable share of any reliability coordinator charge. More specifically, section 11.20.9.1(d) provides that, with the exception of any extrapolation amount, a scheduling coordinator's Estimated Aggregated Liability will be adjusted to reflect its reliability coordinator charge payment obligation. The Estimated Aggregated Liability is a calculation of a market participant's estimated total financial liability at any given point in time, which is used as an input to determine the market participant's financial security obligations. By including the reliability coordinator charge within this calculation, the market participant's financial security obligation will be adjusted upwards to account for the liability associated with an invoice for Peak charges. The provision excludes extrapolation amounts because extrapolation is used to estimate upcoming market invoice liabilities based on a scheduling coordinator's recent market invoices for actual trading days. Because the Peak charge is a one-time annual charge that is not related to market activity, extrapolation would not be appropriate for this charge.

To the extent that all or part of the default amount remains unpaid and the defaulting scheduling coordinator's financial security is insufficient to cover the shortfall, proposed section 11.20.9.6(b) will allow the CAISO to issue an invoice to collect the unpaid reliability coordinator charges. This provision is necessary because, as noted, the CAISO will remain obligated to pay Peak's invoice in its entirety, regardless of whether a scheduling coordinator pays its CAISO invoice in full.

The CAISO proposes that issuance of an invoice for a payment default be discretionary. This would allow the CAISO to avoid billing market participants for a nominal amount of unpaid charges. Under proposed section 11.10.9.6, if the CAISO determines that an invoice for the payment default is necessary, it would allocate responsibility for the default amount to scheduling coordinators with NERC/WECC metered demand, excluding the defaulting scheduling coordinator, based on the most recent NERC/WECC metered demand for each scheduling coordinator. This methodology will pass on any unpaid reliability coordinator charges to the other

scheduling coordinators who directly benefited from the reliability coordinator services and were responsible for their payment in the first instance, rather than treating the default amount as a shortfall to be spread across the entire market. The latter approach would include scheduling coordinators for market participants that do not have NERC/WECC metered demand, such as resources, and would be inconsistent with the methodology under which the charges were originally allocated.

Under proposed section 11.20.9.6, scheduling coordinators will be required to pay the default invoice within 15 business days of the date it was issued.

D. Schedule for Issuing Invoices and Payment

Proposed sections 11.20.9.2-11.20.9.7 include provisions that set for the timing for invoicing and payment of invoices and any corrected or default invoices. The following table provides an illustrative example of the settlement schedule for this year, assuming that Peak’s invoice is received by the CAISO on November 1, 2015.

**TABLE 1
 EXAMPLE
 SETTLEMENT SCHEDULE FOR RELIABILITY COORDINATOR CHARGES**

Peak Invoice		
Peak issues invoice		November 1
CAISO publishes market notice	5 business days after Peak invoice	November 9
CAISO issues invoice	10 business days after Peak invoice	November 16
Scheduling coordinator payment of invoice due	15 business days after CAISO invoice	December 6
Corrected Invoice (if needed)		
Scheduling coordinator dispute due	5 business days after CAISO invoice	November 23
CAISO issues corrected invoice	15 business days after CAISO invoice	December 6
Scheduling coordinator payment of corrected invoice due	10 business days after corrected invoice	December 18
Default Invoice (if needed)		
CAISO invoice for default payment	as needed	after December 6
Scheduling coordinator payment of default invoice	15 business days after default invoice	after December 26

A stakeholder submitted comments requesting that the CAISO issue a second market notice to advise market participants when the CAISO issues its invoices to scheduling coordinators for the Peak charges. The CAISO proposes to instead include in the first market notice the schedule that the CAISO will use for invoicing and payment of an invoice for Peak charges, so that a second market notice will not be necessary.

Proposed tariff section 11.20.9.7 allows the CAISO to temporarily modify the settlement schedule for the reliability coordinator charges by issuing a market notice that describes the modified schedule and the reasons for the modification. This provision would be used as a fall back to address limited circumstances that would otherwise impact the billing and payment schedule, such as a delay in receiving the invoice from the reliability coordinator. The proposed provision is consistent with existing tariff section 11.20.7, which allows temporary modification of the schedule for the NERC/WECC invoice process.

Given that FERC has already recognized the potential need for one-time adjustments to the settlement schedule for NERC/WECC charges, the CAISO believes that extending that flexibility to the very similar settlement and billing processes for reliability coordinator charges is equally warranted.

E. Miscellaneous Revisions and Outdated Tariff Provisions

In addition to establishing new provisions for reliability coordinator charges as set forth above, the CAISO proposes to make several revisions to the existing provisions for NERC/WECC charges that referred to how NERC/WECC charges were collected for the 2007 and 2008 billing periods. Specifically, the CAISO proposes to: delete tariff sections 11.20.2 and 11.20.3, which applied only to those prior time periods, and to make conforming changes to section 11.20.04; and delete tariff section 11.20.8(a), which also applied to a prior time period, and to make conforming changes to section 11.20.8(b). The deleted provisions are no longer necessary because the time periods to which they applied have long since passed.

The CAISO also proposes to amend Appendix A, Master Definitions, to add the term "Reliability Coordinator Charges", defined as the charges for reliability coordination services that the Reliability Coordinator assesses to the CAISO.

IV. EFFECTIVE DATE

The CAISO respectfully requests that the Commission issue an Order by October 15, 2015 accepting the tariff revisions contained in this filing effective as of that date.

V. COMMUNICATIONS

Correspondence and other communications regarding this filing should be directed to:

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VI. SERVICE

The CAISO has served copies of this filing on the California Public Utilities Commission, the California Energy Commission, and all parties with Scheduling Coordinator Agreements under the CAISO tariff. In addition, the CAISO has posted a copy of the filing on the CAISO website.

VII. CONTENTS OF FILING

In addition to this transmittal letter, this filing includes the following attachments:

Attachment A	Clean CAISO tariff sheets incorporating this tariff amendment
Attachment B	Red-lined document showing the revisions contained in this tariff amendment
Attachment C	Draft Final Proposal
Attachment D	Board Memorandum

VIII. CONCLUSION

For the reasons set forth in this filing, the CAISO respectfully requests that the Commission accept the tariff changes contained in this filing effective as of October 15, 2015.

Respectfully submitted,

By: /s/ Burton A. Gross

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Attachment A – Clean Tariff Records
Settlement Process for Reliability Coordinator Charges
California Independent System Operator Corporation

11.20 NERC/WECC Charges

11.20.2 [NOT USED]

11.20.3 [NOT USED]

11.20.4 Process For Invoicing NERC/WECC Charges

With regard to the NERC/WECC Charges to be assessed by the WECC for each NERC/WECC Charge Assessment Year, the following processes shall apply:

- (a) The CAISO will issue a Market Notice that will include the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year. On or after the date on which the CAISO issues this Market Notice, the CAISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year. Each Scheduling Coordinator shall have sixty (60) calendar days from the date the CAISO provides it with this notification in writing to raise any disputes concerning the CAISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year.
- (b) The CAISO will report to the WECC the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year, including any adjustments to the calculation of NERC/WECC Metered Demand for that year made by the CAISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.20.4(a). The report will also include any adjustments to the calculation of NERC/WECC Metered Demand, based on decisions by the WECC to permit such adjustments, that the CAISO has time to reflect in the report and that the WECC provides to the CAISO in a written statement in accordance with the CAISO-WECC Billing Services Agreement. This report shall facilitate the

WECC's calculation of actual NERC/WECC Charges to be invoiced to the CAISO for the NERC/WECC Charge Assessment Year.

- (c) The CAISO will issue a Market Notice setting forth the Preliminary NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year.
- (d) By August 31 of the year preceding the NERC/WECC Charge Assessment Year, the CAISO will issue Preliminary NERC/WECC Charge Invoices for the NERC/WECC Charge Assessment Year.
- (e) Within five (5) Business Days after receipt of the WECC's invoice to the CAISO setting forth the assessment of NERC/WECC Charges for the NERC/WECC Charge Assessment Year, the CAISO shall issue a Market Notice setting forth the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year. The Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year shall be based on (i) the total NERC/WECC Charges for the NERC/WECC Charge Assessment Year that were invoiced to the CAISO by the WECC, divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand including any adjustments to the calculation of NERC/WECC Metered Demand as reported to the WECC pursuant to Section 11.20.4(b), and including any additional adjustments to the calculation of NERC/WECC Metered Demand, based on decisions by the WECC to permit such adjustments, that the WECC provides to the CAISO in a written statement in accordance with the CAISO-WECC Billing Services Agreement.
- (f) Within fifteen (15) Business Days after receipt of the WECC invoice to the CAISO setting forth the assessment for NERC/WECC Charges for the NERC/WECC Charge Assessment Year, the CAISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for the NERC/WECC Charge Assessment Year to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand as adjusted pursuant to Sections 11.20.(b) and 11.20.4(e) and pursuant to any additional adjustments that the

WECC provides to the CAISO in a written statement in accordance with the CAISO-WECC Billing Services Agreement, multiplied by (ii) the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year. If and to the extent that a Scheduling Coordinator has not already paid all of the NERC/WECC Charges for the NERC/WECC Charge Assessment Year that it is required to pay, the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator is still required to pay. If and to the extent that a Scheduling Coordinator has already paid in excess of the NERC/WECC Charges for the NERC/WECC Charge Assessment Year that the Scheduling Coordinator is required to pay, the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator will be credited.

11.20.8 Provision Of Payments And Information To The WECC

- (a) The CAISO will forward to the WECC, at least three (3) Business Days prior to January 2 of each NERC/WECC Charge Assessment Year, (i) the amounts collected pursuant to Final NERC/WECC Charge Invoices for the NERC/WECC Charge Assessment Year and (ii) a list of all Scheduling Coordinators that have failed to make full payment pursuant to their NERC/WECC Charge Invoices and the amounts that are unpaid.
- (b) Under no circumstances shall the CAISO be obligated to pay to the WECC, NERC or any regional advisory body, or to their successors or assignees, any NERC/WECC Charges or any interest charges related to NERC/WECC Charges except for those NERC/WECC Charges actually paid to the CAISO by Scheduling Coordinators. The CAISO shall have no obligations whatsoever to pursue collections of NERC/WECC Charges other than the obligation to invoice Scheduling Coordinators and to provide information to the WECC or NERC as

provided for in the CAISO Tariff. Notwithstanding the foregoing, the CAISO shall have the right, at its sole discretion, to recoup, set off and apply any amount to which a Scheduling Coordinator is or will be entitled, in or towards the satisfaction of any of that Scheduling Coordinator's past-due NERC/WECC Charges in accordance with Section 11.29.13.7.

- (c) The CAISO shall, on request, certify in writing the NERC/WECC Charges owed by a Scheduling Coordinator that remain unpaid and shall provide certified copies of the relevant Preliminary NERC/WECC Charge Invoices, Final NERC/WECC Charge Invoices, and other documentation on which the CAISO's certificate was based to the WECC, NERC, and the applicable Scheduling Coordinators. A CAISO certificate given under this Section 11.20.7(d) may be used as prima facie evidence of the amount due in any legal proceedings.

11.20.9 Reliability Coordinator Charges

11.20.9.1 Responsibility For Reliability Coordinator Charges

- (a) The CAISO shall invoice Scheduling Coordinators for all of the charges that are invoiced to the CAISO by the Reliability Coordinator.
- (b) Each Scheduling Coordinator shall be obligated to pay the CAISO all of the Reliability Coordinator Charges it is invoiced by the CAISO in accordance with Section 11.20.9.
- (c) Each Scheduling Coordinator's responsibility for Reliability Coordinator Charges shall be allocated based on the Scheduling Coordinator's NERC/WECC Metered Demand.
- (d) The CAISO's calculation of collateral requirements and other credit requirements under the CAISO Tariff shall include an adjustment for the Scheduling Coordinator's allocable share of the Reliability Coordinator Charges, if applicable, except that the Estimated Aggregated Liability calculated for the Scheduling Coordinator shall not include extrapolated amounts for the Reliability Coordinator Charges under Section 12.1.3.1.1(d).

11.20.9.2 Calculation and Assessment

(a) Within 5 Business Days after receiving the invoice for Reliability Coordinator Charges, the CAISO shall issue a market notice setting forth the Reliability Coordinator Charge rate for the assessment year, which shall be calculated using the total Reliability Coordinator Charges invoiced to the CAISO divided by the most recent total NERC/WECC Metered Demand determined under Section 11.20.4.

(b) The CAISO shall calculate the Reliability Coordinator Charges allocable to each Scheduling Coordinator by using the Reliability Coordinator Charge rate for the assessment year determined under Section 11.20.9.2(a), multiplied by the most recent NERC/WECC Metered Demand for that Scheduling Coordinator determined under Section 11.20.4.

(c) Within 10 Business Days after receiving the invoice for the Reliability Coordinator Charges, the CAISO shall issue an invoice to each Scheduling Coordinator for its allocable share of the Reliability Coordinator Charges determined under Section 11.20.9.2(b).

(d) Scheduling Coordinators shall make timely payment to the CAISO within 15 Business Days of the date the invoices were issued pursuant to Section 11.20.9.2(c).

11.20.9.3 Confirmation

(a) It is the responsibility of each Scheduling Coordinator to notify the CAISO if the Scheduling Coordinator fails to receive its invoice for Reliability Coordinator Charges in accordance with the schedule in Section 11.20.9.2(c).

(b) Each Scheduling Coordinator shall be deemed to have received its invoice for Reliability Coordinator Charges on the date specified in Section 11.20.9.2(c) unless the Scheduling Coordinator notifies the CAISO to the contrary.

11.20.9.4 Validation

(a) Each Scheduling Coordinator shall have the opportunity to review the terms of the invoice for Reliability Coordinator Charges and shall be deemed to have validated that invoice unless it raises a dispute within five Business Days of the date of issuance.

(b) Once validated, an invoice for Reliability Coordinator Charges shall be binding on the Scheduling Coordinator to which it relates.

11.20.9.5 Disputes and Corrections

(a) Scheduling Coordinators shall be prohibited from disputing any Reliability Coordinator Charges, except on grounds that an error in the invoice is due to a mere typographical or other ministerial error by the CAISO.

(b) Any dispute of an invoice on the grounds specified in Section 11.20.9.5(a) shall be submitted and processed in accordance with the dispute procedure for Reliability Coordinator Charges set forth in the Business Practice Manual,

(c) If the CAISO determines that an invoice contains a typographical or other ministerial error, and the resolution of the dispute makes correction necessary, the CAISO will issue a corrected invoice within 15 Business Days of the date the initial invoice was issued.

(d) Each Scheduling Coordinator that receives an invoice for Reliability Coordinator Charges shall pay any net debit and shall be entitled to receive any net credit specified on a corrected invoice. Payment of any net debit shall be due within 10 business days of the date the corrected invoice was issued.

11.20.9.6 Payment Default.

(a) In the event a Scheduling Coordinator defaults on the payment of all or any portion of the Reliability Coordinator Charges invoiced under Section 11.20.9.2(d) or 11.20.9.5(d), the CAISO shall have the right under Section 11.29.13.3 to enforce the financial security provided by the defaulting Scheduling Coordinator, and to take any such other action under Sections 11.29.12 or 11.29.13, as necessary, to obtain payment for the default amount.

(b) To the extent all or any portion of the default amount remains unpaid, the CAISO

(1) may at its discretion issue an invoice for the unpaid Reliability Coordinator Charges; and

- (2) if such invoice is issued for a payment default, shall allocate responsibility for the unpaid amount to Scheduling Coordinators with NERC/WECC Metered Demand, excluding the CAISO Debtor that has not paid the payment default amount, based on the most recent NERC/WECC Metered Demand for each Scheduling Coordinator determined under Section 11.20.
- (c) Scheduling Coordinators shall make timely payment to the CAISO within 15 Business Days of the date the default invoices were issued pursuant to Section 11.20.9.6(b).

11.20.9.7 Modification to Schedule. Notwithstanding the provisions in Section 11.20.9, the CAISO may issue a Market Notice informing Scheduling Coordinators that the CAISO will implement a temporary modification to the billing and payment schedule for Reliability Coordinator Charges and setting forth the reasons for such modification, in which case the modified schedule described in that Market Notice shall govern.

APPENDIX A DEFINITIONS

Reliability Coordinator Charges

The charges for reliability coordination services that the Reliability Coordinator assesses to the CAISO.

Attachment B – Marked Tariff Records
Settlement Process for Reliability Coordinator Charges
California Independent System Operator Corporation

11.20

NERC/WECC Charges

11.20.2 ~~Process For Invoicing NERC/WECC Charges Assessed For 2007~~[NOT USED]

~~With regard to the NERC/WECC Charges assessed by the WECC for 2007, the following process shall apply:~~

- ~~(a) — The CAISO will issue a Market Notice that will include the following: (i) the total NERC/WECC Charges for 2007 that were invoiced to the CAISO by the WECC and (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2005. On or after the date on which the CAISO issues this Market Notice, the CAISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for 2005. Each Scheduling Coordinator shall have sixty (60) calendar days from the date the CAISO provides it with this notification in writing to raise any disputes concerning the CAISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for 2005.~~
- ~~(b) — The CAISO will issue a Market Notice setting forth the Final NERC/WECC Charge Rate for the 2007 WECC assessment. The Final NERC/WECC Charge Rate for the 2007 WECC assessment shall be based on (i) the total NERC/WECC Charges for 2007 that were invoiced to the CAISO by the WECC divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2005, including any adjustments to the calculation of NERC/WECC Metered Demand for 2005 made by the CAISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.20.2(a).~~
- ~~(c) — Within thirty (30) calendar days after the CAISO issues the Market Notice in Section 11.20.2 (b), the CAISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for 2007 to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for 2005 multiplied by (ii) the Final NERC/WECC Charge Rate for the 2007 WECC~~

~~assessment. The CAISO shall deduct from the Final NERC/WECC Charge Invoices for the 2007 WECC assessment any amounts that Scheduling Coordinators have already paid directly to the WECC for NERC/WECC Charges for 2007 as reported to the CAISO by the WECC.~~

11.20.3 ~~Process For Invoicing NERC/WECC Charges Assessed For 2008~~[NOT USED]

~~With regard to the NERC/WECC Charges to be assessed by the WECC for 2008, the following process shall apply:~~

- ~~(a) — The CAISO will issue a Market Notice that will include the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006. On or after the date on which the CAISO issues this Market Notice, the CAISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for 2006. Each Scheduling Coordinator shall have sixty (60) calendar days from the date the CAISO provides it with this notification in writing to raise any disputes concerning the CAISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for 2006.~~
- ~~(b) — The CAISO will report to the WECC the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006, including any adjustments to the calculation of NERC/WECC Metered Demand for 2006 made by the CAISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.20.3(a). This report shall facilitate the WECC calculation of actual NERC/WECC Charges to be invoiced to the CAISO for 2008.~~
- ~~(c) — Within five (5) Business Days after receipt of the WECC invoice to the CAISO setting forth the assessment for NERC/WECC Charges for 2008, the CAISO shall issue a Market Notice setting forth the Final NERC/WECC Charge Rate for 2008. The Final NERC/WECC Charge Rate for 2008 shall be based on (i) the total NERC/WECC Charges for 2008 that were invoiced to the CAISO by the WECC, divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006, as reported to the WECC.~~

~~(d) Within fifteen (15) Business Days after receipt of the WECC invoice to the CAISO setting forth the assessment for NERC/WECC Charges for 2008, the CAISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for 2008 to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for 2006, multiplied by (ii) the Final NERC/WECC Charge Rate for 2008.~~

11.20.4 Process For Invoicing NERC/WECC Charges ~~For Years After 2008~~

With regard to the NERC/WECC Charges to be assessed by the WECC for each NERC/WECC Charge Assessment Year ~~after 2008~~, the following processes shall apply:

- (a) The CAISO will issue a Market Notice that will include the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year. On or after the date on which the CAISO issues this Market Notice, the CAISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year. Each Scheduling Coordinator shall have sixty (60) calendar days from the date the CAISO provides it with this notification in writing to raise any disputes concerning the CAISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year.
- (b) The CAISO will report to the WECC the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year, including any adjustments to the calculation of NERC/WECC Metered Demand for that year made by the CAISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.20.4(a). The report will also include any adjustments to the calculation of NERC/WECC Metered Demand, based on decisions by the WECC to permit such adjustments, that the CAISO has time to reflect in the report and that the

WECC provides to the CAISO in a written statement in accordance with the CAISO-WECC Billing Services Agreement. This report shall facilitate the WECC's calculation of actual NERC/WECC Charges to be invoiced to the CAISO for the NERC/WECC Charge Assessment Year.

- (c) The CAISO will issue a Market Notice setting forth the Preliminary NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year.
- (d) By August 31 of the year preceding the NERC/WECC Charge Assessment Year, the CAISO will issue Preliminary NERC/WECC Charge Invoices for the NERC/WECC Charge Assessment Year.
- (e) Within five (5) Business Days after receipt of the WECC's invoice to the CAISO setting forth the assessment of NERC/WECC Charges for the NERC/WECC Charge Assessment Year, the CAISO shall issue a Market Notice setting forth the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year. The Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year shall be based on (i) the total NERC/WECC Charges for the NERC/WECC Charge Assessment Year that were invoiced to the CAISO by the WECC, divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand including any adjustments to the calculation of NERC/WECC Metered Demand as reported to the WECC pursuant to Section 11.20.4(b), and including any additional adjustments to the calculation of NERC/WECC Metered Demand, based on decisions by the WECC to permit such adjustments, that the WECC provides to the CAISO in a written statement in accordance with the CAISO-WECC Billing Services Agreement.
- (f) Within fifteen (15) Business Days after receipt of the WECC invoice to the CAISO setting forth the assessment for NERC/WECC Charges for the NERC/WECC Charge Assessment Year, the CAISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for the NERC/WECC Charge Assessment Year to Scheduling Coordinators based on (i) each Scheduling

Coordinator's NERC/WECC Metered Demand as adjusted pursuant to Sections 11.20.(b) and 11.20.4(e) and pursuant to any additional adjustments that the WECC provides to the CAISO in a written statement in accordance with the CAISO-WECC Billing Services Agreement, multiplied by (ii) the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year. If and to the extent that a Scheduling Coordinator has not already paid all of the NERC/WECC Charges for the NERC/WECC Charge Assessment Year that it is required to pay, the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator is still required to pay. If and to the extent that a Scheduling Coordinator has already paid in excess of the NERC/WECC Charges for the NERC/WECC Charge Assessment Year that the Scheduling Coordinator is required to pay, the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator will be credited.

11.20.8 Provision Of Payments And Information To The WECC

~~(a) With regard to NERC/WECC Charges assessed for 2007, the CAISO will forward to the WECC, within five (5) Business Days after the deadline for timely payments of Final NERC/WECC Charge Invoices pursuant to Section 11.20.2 has expired, (i) the amounts collected pursuant to Final NERC/WECC Charge Invoices for 2007 and (ii) a list of all Scheduling Coordinators that have failed to make full payment pursuant to their Final NERC/WECC Charge Invoices and the amounts that are unpaid.~~

~~(b)~~ (b) With regard to NERC/WECC Charges assessed for years after 2007, the CAISO will forward to the WECC, at least three (3) Business Days prior to January 2 of each NERC/WECC Charge Assessment Year, (i) the amounts collected pursuant to Final NERC/WECC Charge Invoices for the NERC/WECC Charge Assessment Year and (ii) a list of all Scheduling Coordinators that have

failed to make full payment pursuant to their NERC/WECC Charge Invoices and the amounts that are unpaid.

- (eb) Under no circumstances shall the CAISO be obligated to pay to the WECC, NERC or any regional advisory body, or to their successors or assignees, any NERC/WECC Charges or any interest charges related to NERC/WECC Charges except for those NERC/WECC Charges actually paid to the CAISO by Scheduling Coordinators. The CAISO shall have no obligations whatsoever to pursue collections of NERC/WECC Charges other than the obligation to invoice Scheduling Coordinators and to provide information to the WECC or NERC as provided for in the CAISO Tariff. Notwithstanding the foregoing, the CAISO shall have the right, at its sole discretion, to recoup, set off and apply any amount to which a Scheduling Coordinator is or will be entitled, in or towards the satisfaction of any of that Scheduling Coordinator's past-due NERC/WECC Charges in accordance with Section 11.29.13.7.
- (ec) The CAISO shall, on request, certify in writing the NERC/WECC Charges owed by a Scheduling Coordinator that remain unpaid and shall provide certified copies of the relevant Preliminary NERC/WECC Charge Invoices, Final NERC/WECC Charge Invoices, and other documentation on which the CAISO's certificate was based to the WECC, NERC, and the applicable Scheduling Coordinators. A CAISO certificate given under this Section 11.20.7(d) may be used as prima facie evidence of the amount due in any legal proceedings.

11.20.9 Reliability Coordinator Charges

11.20.9.1 Responsibility For Reliability Coordinator Charges

- (a) The CAISO shall invoice Scheduling Coordinators for all of the charges that are invoiced to the CAISO by the Reliability Coordinator.
- (b) Each Scheduling Coordinator shall be obligated to pay the CAISO all of the Reliability Coordinator Charges it is invoiced by the CAISO in accordance with Section 11.20.9.

(c) Each Scheduling Coordinator's responsibility for Reliability Coordinator Charges shall be allocated based on the Scheduling Coordinator's NERC/WECC Metered Demand.

(d) The CAISO's calculation of collateral requirements and other credit requirements under the CAISO Tariff shall include an adjustment for the Scheduling Coordinator's allocable share of the Reliability Coordinator Charges, if applicable, except that the Estimated Aggregated Liability calculated for the Scheduling Coordinator shall not include extrapolated amounts for the Reliability Coordinator Charges under Section 12.1.3.1.1(d).

11.20.9.2 Calculation and Assessment

(a) Within 5 Business Days after receiving the invoice for Reliability Coordinator Charges, the CAISO shall issue a market notice setting forth the Reliability Coordinator Charge rate for the assessment year, which shall be calculated using the total Reliability Coordinator Charges invoiced to the CAISO divided by the most recent total NERC/WECC Metered Demand determined under Section 11.20.4.

(b) The CAISO shall calculate the Reliability Coordinator Charges allocable to each Scheduling Coordinator by using the Reliability Coordinator Charge rate for the assessment year determined under Section 11.20.9.2(a), multiplied by the most recent NERC/WECC Metered Demand for that Scheduling Coordinator determined under Section 11.20.4.

(c) Within 10 Business Days after receiving the invoice for the Reliability Coordinator Charges, the CAISO shall issue an invoice to each Scheduling Coordinator for its allocable share of the Reliability Coordinator Charges determined under Section 11.20.9.2(b).

(d) Scheduling Coordinators shall make timely payment to the CAISO within 15 Business Days of the date the invoices were issued pursuant to Section 11.20.9.2(c).

11.20.9.3 Confirmation

(a) It is the responsibility of each Scheduling Coordinator to notify the CAISO if the Scheduling Coordinator fails to receive its invoice for Reliability Coordinator Charges in accordance with the schedule in Section 11.20.9.2(c).

(b) Each Scheduling Coordinator shall be deemed to have received its invoice for Reliability Coordinator Charges on the date specified in Section 11.20.9.2(c) unless the Scheduling Coordinator notifies the CAISO to the contrary.

11.20.9.4 Validation

(a) Each Scheduling Coordinator shall have the opportunity to review the terms of the invoice for Reliability Coordinator Charges and shall be deemed to have validated that invoice unless it raises a dispute within five Business Days of the date of issuance.

(b) Once validated, an invoice for Reliability Coordinator Charges shall be binding on the Scheduling Coordinator to which it relates.

11.20.9.5 Disputes and Corrections

(a) Scheduling Coordinators shall be prohibited from disputing any Reliability Coordinator Charges, except on grounds that an error in the invoice is due to a mere typographical or other ministerial error by the CAISO.

(b) Any dispute of an invoice on the grounds specified in Section 11.20.9.5(a) shall be submitted and processed in accordance with the dispute procedure for Reliability Coordinator Charges set forth in the Business Practice Manual.

(c) If the CAISO determines that an invoice contains a typographical or other ministerial error, and the resolution of the dispute makes correction necessary, the CAISO will issue a corrected invoice within 15 Business Days of the date the initial invoice was issued.

(d) Each Scheduling Coordinator that receives an invoice for Reliability Coordinator Charges shall pay any net debit and shall be entitled to receive any net credit specified on a corrected invoice. Payment of any net debit shall be due within 10 business days of the date the corrected invoice was issued.

11.20.9.6 Payment Default.

(a) In the event a Scheduling Coordinator defaults on the payment of all or any portion of the Reliability Coordinator Charges invoiced under Section 11.20.9.2(d) or 11.20.9.5(d), the CAISO shall have the right under Section 11.29.13.3 to enforce the financial security provided by the defaulting Scheduling Coordinator, and to take any such other action under Sections 11.29.12 or 11.29.13, as necessary, to obtain payment for the default amount.

(b) To the extent all or any portion of the default amount remains unpaid, the CAISO

(1) may at its discretion issue an invoice for the unpaid Reliability Coordinator Charges; and

(2) if such invoice is issued for a payment default, shall allocate responsibility for the unpaid amount to Scheduling Coordinators with NERC/WECC Metered Demand, excluding the CAISO Debtor that has not paid the payment default amount, based on the most recent NERC/WECC Metered Demand for each Scheduling Coordinator determined under Section 11.20.

(c) Scheduling Coordinators shall make timely payment to the CAISO within 15 Business Days of the date the default invoices were issued pursuant to Section 11.20.9.6(b).

11.20.9.7 Modification to Schedule. Notwithstanding the provisions in Section 11.20.9, the CAISO may issue a Market Notice informing Scheduling Coordinators that the CAISO will implement a temporary modification to the billing and payment schedule for Reliability Coordinator Charges and setting forth the reasons for such modification, in which case the modified schedule described in that Market Notice shall govern.

APPENDIX A DEFINITIONS

Reliability Coordinator Charges

The charges for reliability coordination services that the Reliability Coordinator assesses to the CAISO.

Attachment C – Draft Final Proposal
Settlement Process for Reliability Coordinator Charges
California Independent System Operator Corporation



California ISO

**PEAK RELIABILITY COORDINATOR
FUNDING**

Draft Final Proposal

May 28, 2015

**Assessment of
Peak Reliability Coordinator Charges
Draft Final Proposal**
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1 Introduction

This draft final proposal addresses changes to the ISO's settlement and payment processes necessary to pass on to scheduling coordinators the reliability coordinator charges the ISO will be receiving from Peak Reliability ("Peak"). As a result of the recent bifurcation of the Western Electricity Coordinating Council ("WECC"), Peak Reliability was formed as a separate independent company to perform the reliability coordinator services previously performed by WECC. Beginning in November 2015, the ISO expects to start receiving an annual direct bill from Peak for reliability coordinator services, rather than continuing to be charged the reliability coordination costs as part of the NERC/WECC fees.

The ISO's proposed settlement and payment processes for the Peak reliability charges are similar to those for the NERC/WECC fees. The ISO will allocate the charges to scheduling coordinators using the NERC/WECC metered demand and will collect the charges through a separate annual invoice. However, because the Peak alternative funding agreement imposes the obligation to pay for reliability coordinator charges on balancing authorities and transmission operators, rather than on each load serving entity as is done today, the ISO proposal includes financial security measures and an optional invoice that would allow the ISO to collect unpaid charges in the event a scheduling coordinator defaults on its payment of the charges.

2 Background

On June 20, 2013, FERC issued a declaratory order approving the bifurcation of WECC and the plan to establish a separate independent company to perform the reliability coordinator function for the Western Interconnection. In the Order, FERC conditionally approved continuing to fund the reliability coordinator function as a statutory activity under Section 215 of the Federal Power Act, provided that Peak develops and presents to its members a plan for alternative funding within two years after bifurcation.

As long as section 215 funding is in place, Peak's charges will continue to be rolled into WECC's budget as a line item, and WECC will provide a consolidated annual bill to the ISO and other funding parties to cover Peak's reliability coordinator charges. Under this existing arrangement, the ISO has authority to pass these charges along to scheduling coordinators pursuant to tariff section 11.20, which establishes the billing process for NERC/WECC charges.

Once section 215 funding ends, Peak will move to a direct billing arrangement whereby the ISO and other balancing authorities and transmission operators in the Western Interconnection will receive a bill directly from Peak for their respective share of Peak's annual reliability coordinator charges. Peak has finalized the funding agreement that will take the place of section 215 funding. At its May 11, 2015 meeting, the Peak Board unanimously approved the draft alternative funding agreement. Peak's plans to present the alternative funding agreement to its membership for an approval vote in June 2015 and require funding parties, including the ISO, to execute the agreement shortly thereafter. Peak would then implement the new funding approach for the 2016 budget by issuing annual invoices to the funding parties in November 2015 for payment in early January 2016.

The ISO is actively participating in Peak's proceedings related to the alternative funding agreement. Peak has made significant progress toward meeting its proposed schedule for approving and executing the new funding agreement. In order to prepare for the changes that

will result from the new funding agreement once it becomes effective, the ISO is initiating this stakeholder process to change its billing and collection practices to accommodate direct bills from Peak and revise tariff section 11.20 to give the ISO authority to bill and collect for the annual assessment of Peak charges for the reliability coordinator function. This tariff change is necessary because the ISO's existing provision allowing the pass through of NERC/WECC charges to market participants does not cover a separate, stand-alone invoice from Peak for reliability coordinator services.

3 Plan for Stakeholder Engagement

The proposed changes to the billing and collection processes and the proposed tariff modifications address how the ISO will settle Peak's reliability coordinator service charges under a direct bill, rather than as part of the NERC/WECC charges.

Table 1 below lists the planned schedule for this stakeholder initiative. This timeline will allow the ISO to have the proposed tariff modifications in effect by November 1 in order to process the anticipated separate direct bill cycle from Peak under the alternative funding agreement.

The ISO is committed to provide ample opportunity for stakeholder input into policy development and implementation activities.

The Draft Final Proposal and the draft tariff language may be found using this link:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/PeakReliabilityCoordinatorFunding.aspx>

Table 1 –Peak Reliability Coordinator Funding Stakeholder Schedule

Item	Date
Post Market Notice for SH call to Straw Proposal and Draft Tariff Language	May 8, 2015
Stakeholder call	May 15, 2015
Deadline to receive SH comments	May 22, 2015
Post Market Notice with Draft Final Proposal	May 28, 2015
Stakeholder call to review and comment on the Draft Final Proposal	June 2, 2015
Board of Governors Call	June 30, 2015
FERC Filing	July 1, 2015

4 Issue

The bifurcation of WECC affects the ISO and all load serving entities in the ISO balancing authority area. For 2015, the ISO's share of Peak's total budget for the reliability coordinator function was approximately \$12.2 million. That amount was assessed to, and collected from, load serving entities as part of their NERC/WECC charges, which the ISO allocated to

scheduling coordinators according to their load serving entities' respective loads. Assuming that Peak begins separate billing for 2016, the ISO will receive a bill for an amount that reflects Peak's annual budget, which the ISO will need to assess and collect from load serving entities. The NERC/WECC charges for 2016 will no longer include reliability coordinator service charges and will decrease accordingly.

Under the existing mechanism, WECC allocates costs to the ISO for collection from the load serving entities. The payment obligation is on each load serving entity, and the ISO does not have an obligation to pay WECC to the extent a load serving entity fails to pay its allocation. However, under Peak's proposed alternative funding mechanism, Peak will allocate costs to each balancing authority or transmission operator for payment, and the balancing authority or transmission operator, including the ISO, will have the payment obligation in the event a load serving entity defaults. The ISO's proposed collection process and tariff provisions address the potential circumstance in which a scheduling coordinator defaults on payment of its reliability coordinator charges to the ISO. In that circumstance, the ISO would be allowed to enforce the financial security provided by the defaulting scheduling coordinator, and recover any remaining unpaid charges from the other scheduling coordinators that received an invoice for the reliability coordinator charges.

5 Dependencies and Constraints

If the alternative funding agreement approval process currently underway at Peak is not completed and the agreements are not executed in time to serve as the funding mechanism for Peak for 2016, the Peak charges presumably will continue to be included in the invoice from WECC and will be processed by the ISO under existing settlement procedures and tariff provisions. The ISO believes, however, that it is more likely that the alternative funding agreement will be completed and executed in time to fund 2016, thus necessitating development of the provisions discussed in this proposal.

In the event that an alternative funding agreement is not approved, a stakeholder submitted comments in support of the continued application of settlement procedures and tariff provisions currently in force and requests that the ISO issue a Market Notice informing market participants of its decision. Given the recent approval of the alternative funding agreement by Peak's Board, the ISO expects that the agreement will be executed prior to the time for Peak to invoice its charges 2016. However, if that does not occur, the ISO will issue a market notice regarding the invoicing process to fund 2016.

6 Proposed Settlements Process

The ISO's proposed settlements process is generally similar to the process used for NERC/WECC charges. After receiving the invoice from Peak, the ISO will issue a market notice to advise market participants of the invoice and the charge rate the ISO will use for the assessment year. The ISO will calculate the charge rate using the total dollar amount of reliability coordinator charges invoiced to the ISO divided by the most recent total NERC/WECC metered demand. The ISO proposes to allocate the reliability coordinator charges to each scheduling coordinator for load serving entities in the ISO balancing authority area using the most recent NERC/WECC metered demand for that scheduling coordinator. This is the same methodology that the ISO currently uses to allocate NERC/WECC charges, based on the MWhs of net energy for load. By using a consistent allocation methodology, the ISO will ensure that load serving entities' current respective allocations of NERC/WECC charges and reliability coordinator charges do not change as a result of the direct billing by Peak. Rather than

receiving one invoice, scheduling coordinators will receive two invoices (one for NERC/WECC and another for reliability coordinator charges), but their payment obligation will effectively remain the same.

A stakeholder submitted comments requesting that the ISO consider modifying the proposed allocation of the Peak assessment to include scheduling coordinators for resources as well as scheduling coordinators for load. The comment suggests that both resources and load benefit from the reliability coordinator services and should share in the cost of the reliability coordinator. The comment also suggests that it would be worthwhile to consider how reliability coordinator activities are funded in other RTO/ISOs. If such a review is infeasible at this time, the stakeholder requests that the ISO commit to performing one and considering a change in the Peak funding allocations in the future. Because the ISO's proposed methodology for allocating the Peak charges to scheduling coordinators based on net energy for load is consistent with the FERC approved methodology under which the Peak charges and NERC/WECC charges are allocated to the ISO, the ISO believes that its methodology reflects cost responsibility.

The ISO initially proposed that the calculation of collateral requirements and other credit requirements will include an adjustment for the scheduling coordinator's allocable share of the reliability coordinator charges, if applicable; except that the estimated aggregated liability will not include the reliability coordinator charges. In response to a stakeholder comment inquiring why the charges will not be included in the estimated aggregated liability, the ISO will clarify the draft tariff language to indicate that the charges will be included in the estimated aggregated liability calculated but not in the extrapolation amounts, which are calculated for trading days for which settlement statements have not been issued.

The proposed confirmation and validation requirements for the reliability coordinator charge invoice will be the same as for a NERC/WECC invoice. It will be the responsibility of the scheduling coordinator to notify the ISO if it does not receive the invoice, and absent such notice, the scheduling coordinator will be deemed to have received its invoice. Each scheduling coordinator will have the opportunity to review the invoice and will be deemed to have validated the invoice unless it raises a dispute within seven days of the date of issuance. Once validated, the invoice is binding on the scheduling coordinator.

The ISO also proposes to have the same dispute process for the reliability coordinator charge invoice as currently applied to NERC/WECC invoices. Scheduling coordinators will be prohibited from disputing any of the reliability coordinator charges, unless there is a typographical or other ministerial error by the ISO. The invoiced charges will be based on the ISO's allocated share of the reliability coordinator's budgeted expenses for the following calendar year and on the NERC/WECC metered demand. Consistent with current practice, Peak's proposed alternative funding agreement provides Peak members with an opportunity to comment on Peak's proposed annual expenditures for the reliability coordinator function in advance of the funding year. To the extent Peak members have concerns about the total magnitude of Peak's proposed reliability coordinator budget, that commenting process is the forum in which to raise those matters. Any questions about the ISO's or the individual market participant's MWs of NERC/WECC meter demand will be considered as part of the settlement process for NERC/WECC charges under Section 11.20.4, and will be resolved before the ISO invoices the reliability coordinator charges. Accordingly, the basis to dispute the reliability coordinator charges will be limited to a typographical or ministerial error. If the ISO determines that a typographical or other ministerial error has occurred, and the resolution of the dispute makes correction necessary, the ISO will issue a corrected invoice.

Scheduling coordinators will be required to make timely payment of the reliability coordinator charge invoice within 20 days of the date the invoices were issued. If a scheduling coordinator defaults on payment of all or part of the reliability coordinator charge invoice, the ISO proposes to follow existing tariff authority applicable to payment defaults. The ISO may exercise its rights under Section 11.29.13.3 to enforce the financial security provided by the defaulting scheduling coordinator, or take other action under Sections 11.29.12 or 11.29.13 to obtain payment from the defaulting scheduling coordinator for the amount owed.

To the extent that all or part of the default amount remains unpaid, the ISO proposes that it have the discretion to issue an invoice to collect the unpaid reliability coordinator charges. This is a departure from the default provisions for the NERC/WECC charges. The reason for the difference is that the ISO's payment obligations to WECC for NERC/WECC charges and to Peak for reliability coordinator charges will differ. The ISO is currently required to forward to WECC only the NERC/WECC charges it collects from scheduling coordinators and a list of any scheduling coordinators that did not make full payment of the amount owed, with no further payment obligation. However, under Peak's alternative funding agreement, the ISO will now be required to pay the Peak invoice for the reliability coordinator charges in its entirety, regardless of any payment defaults. Because of this payment obligation, it is necessary that the ISO have the ability to issue an invoice for a default amount in order to avoid incurring a potential shortfall for any unpaid charges.

The ISO proposes that issuance of an invoice for a payment default be discretionary. This would allow the ISO to avoid billing for a nominal amount of unpaid charges. If the ISO determines that an invoice for the payment default is necessary, it would allocate responsibility for the default amount to scheduling coordinators with NERC/WECC metered demand, excluding the defaulting scheduling coordinator, based on the most recent NERC/WECC metered demand for each scheduling coordinator. This methodology will pass on any unpaid reliability coordinator charges to the other scheduling coordinators who directly benefited from the reliability coordinator services and were responsible for their payment in the first instance, rather than treating the default amount as a shortfall to be spread across the entire market. The latter approach would include scheduling coordinators for market participants that do not have NERC/WECC metered demand, such as resources, and would be inconsistent with the methodology under which the charges were originally allocated.

The ISO's proposal also includes a provision from the NERC/WECC invoice process that allows the ISO to temporarily modify the billing and payment schedule. This provision would be used as a fall back to address limited circumstances that would otherwise impact the billing and payment schedule, such as a delay in receiving the invoice from the reliability coordinator.

The following table provides an example of the proposed billing and payment schedule.

TABLE 1
SCHEDULE FOR BILLING AND PAYMENT OF PEAK CHARGES

Peak Invoice		
Peak issues invoice		Nov 1
ISO publishes market notice	5 BDs after Peak invoice	Nov 9
ISO issues invoice	10 BDs after Peak invoice	Nov 16
SC payment of invoice due	20 days after ISO invoice	Dec 6
Corrected Invoice (if needed)		
SC dispute due	7 days after ISO invoice	Nov 23
ISO issues corrected invoice	15 days after ISO invoice	Nov 30
SC payment of corrected invoice due	15 days after corrected invoice	Dec 15
Default Invoice (if needed)		
ISO invoice for default payment	as needed	after Dec 6
SC payment of default invoice	20 days after default invoice	after Dec 26

A stakeholder submitted comments requesting that the ISO issue a second market notice to advise market participants when a scheduled or unscheduled invoice for Peak charges is issued to scheduling coordinators. The ISO proposes to include in the first market notice the schedule for invoicing and payment of an invoice for Peak charges so a second market notice will not be necessary.

The ISO's draft tariff language to provide for the billing and collection of the reliability coordinator charges are posted with this Draft Final Proposal, and may be found using the link included above.

7 Next Steps

The ISO will discuss this Draft Final Proposal and the draft tariff language with stakeholders during a stakeholder call to be held on June 2, 2015.

Attachment D – Board Memo and Approval
Settlement Process for Reliability Coordinator Charges
California Independent System Operator Corporation



Memorandum

To: ISO Board of Governors

From: Ryan Seghesio, Chief Financial Officer and Treasurer

Date: June 24, 2015

Re: **Decision on Peak Reliability Coordinator funding**

This memorandum requires Board action.

EXECUTIVE SUMMARY

With the recent bifurcation of the Western Electricity Coordinating Council (“WECC”), Peak Reliability (“Peak”) was formed as a separate, independent company to perform the reliability coordinator function in the Western Interconnection. This function had previously been performed by WECC, and the costs of these services were included in a single invoice for WECC charges, which also included charges for WECC’s functions as a regional entity. The ISO’s existing tariff provisions regarding “NERC/WECC charges” allow the ISO to pass through these charges for WECC services to scheduling coordinators for load serving entities.

To fund its reliability coordinator services, Peak has developed a funding agreement that it will enter into with each balancing authority and certain transmission operators in the west. This agreement allocates Peak’s costs for the reliability coordinator function according to the same percentage of total load formula that was used when these charges were included within the WECC invoices. The ISO thus needs to establish tariff provisions, similar to those that currently exist for NERC/WECC charges, to allow it to pass through the cost of reliability coordinator services billed directly by Peak. To preserve continuity, the ISO has closely modeled the proposed reliability coordinator settlement and payment processes on those that already exist for NERC/WECC charges, with certain differences pertinent to the ISO’s payment obligation to Peak.

Management proposes the following motion:

Moved, that the ISO Board of Governors approves the proposal to amend the tariff to establish settlement and payment processes for reliability coordinator charges from Peak Reliability, as described in the memorandum dated June 24, 2015; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff change.

DISCUSSION AND ANALYSIS

Background

After the September 8, 2011 southwest outage event, WECC determined that it should bifurcate into two separate entities. One entity is to focus on performing the “regional entity” role of enforcing NERC reliability standards, and a separate entity is to focus on performing the operational “reliability coordinator” function that involves coordinating transmission reliability across the Western Interconnection in real time. On June 20, 2013, FERC issued a declaratory order approving the WECC bifurcation and the plan to establish a separate independent entity to perform the reliability coordinator function for the Western Interconnection.

WECC’s operations are funded primarily through a budget that is approved each year by NERC and FERC, pursuant to provisions set forth in section 215 of the Federal Power Act for the funding of regional entities to whom NERC has delegated certain of its powers. Pursuant to section 215, FERC approves an annual budget for WECC and authorizes WECC to collect charges from load serving entities within the WECC region based on their respective shares of total load. For load serving entities within the ISO’s balancing authority area, WECC assesses the ISO an amount based on the total load within the ISO’s balancing authority area. The ISO then passes those charges on to load serving entities within its balancing authority area pursuant to existing tariff provisions governing the collection of “NERC/WECC” charges.

Various parties argued to FERC that the section 215 funding should not continue to be used as a basis for funding Peak’s operations after bifurcation because those provisions were intended to cover the regional entity function and not a reliability coordinator function performed by a separate entity. In its June 20, 2013 order approving bifurcation, FERC conditionally approved the continuation of section 215 funding on a temporary basis, and allowed WECC to continue to roll Peak’s charges into the WECC invoice. FERC, however, also directed Peak to develop and present to its members a plan for alternative funding within two years after bifurcation.

On June 10, 2015, the Peak membership approved an alternative funding arrangement that takes the form of a uniform funding agreement that Peak will execute with each balancing authority and certain transmission operators in the Western Interconnection. This agreement allocates Peak’s cost for the reliability coordinator function according to the same percentage of total load formula used for the WECC charges authorized under section 215.

The new funding agreement is scheduled to become effective in August, after funding parties representing at least 90 percent of total load in the United States portion of the Western Interconnection have executed it. Peak will then issue its first annual invoice under

the agreement in November 2015, which will cover Peak's funding for 2016. Because Peak's separate invoice will now include the reliability coordinator function charges, the WECC annual invoice for 2016 will no longer include those charges.

The ISO is proposing the tariff amendment described in this memorandum to ensure that it has an approved tariff process in place to continue to allocate, invoice, and collect from scheduling coordinators reliability coordinator charges, which will now be charged by Peak in the form of a separate invoice pursuant to the funding agreement.

Summary of the proposed amendment

The ISO's proposed settlement and payment process for Peak's reliability coordinator charges is closely modeled on the process currently used for NERC/WECC charges.

The first step in that process involves establishing the method for allocating the total Peak invoice for reliability coordinator charges to market participants and informing them of their charges. After receiving the annual invoice from Peak, the ISO will issue a market notice to advise market participants of the invoice and the charge rate the ISO will use for the assessment year. The ISO will calculate the charge rate using the total dollar amount of the reliability coordinator charges invoiced to the ISO divided by the most recent total NERC/WECC metered demand figures for all scheduling coordinators within the ISO's balancing authority area. The ISO will allocate the reliability coordinator charges to each scheduling coordinator for load serving entities in the ISO balancing authority area using the most recent NERC/WECC metered demand calculation for that scheduling coordinator, which is based on the net amount of energy for serving load that is allocable to that scheduling coordinator.

This is the same methodology that the ISO currently uses to allocate NERC/WECC charges. Thus, the ISO will ensure that load serving entities' current respective allocations of NERC/WECC charges and reliability coordinator charges do not change as a result of direct billing by Peak. Rather than receiving one invoice, scheduling coordinators will receive two invoices (one for NERC/WECC charges and another for Peak reliability coordinator charges), but their payment obligation will effectively remain the same.

The proposed invoice confirmation, validation and dispute processes for the reliability coordinator charge are also closely modeled on those used for a NERC/WECC invoice. A scheduling coordinator will have seven days to validate or dispute the accuracy of the invoice it receives for reliability coordinator charges. As with NERC/WECC charges, such disputes are limited to challenges based on a typographical or ministerial error by the ISO. This allows parties to challenge the charge based on an error in calculating the charge, but does not allow parties to raise a dispute based on the total cost of Peak's reliability coordinator services. Similar to WECC, Peak has an open annual budget process that allows interested parties to raise issues or concerns regarding Peak's proposed annual expenditures for reliability coordinator services. Any issues relating to the overall magnitude of Peak's charges are properly addressed in that forum.

Although the allocation, billing and dispute processes will remain the same, the ISO proposes certain changes to the collection process to address a circumstance where a scheduling coordinator fails to make timely payment or defaults. Under the current arrangement with WECC, the ISO is obligated to pay WECC only the amounts that it successfully collects from scheduling coordinators. If a scheduling coordinator for a load serving entity fails to pay the full amount or otherwise defaults, it is WECC's responsibility to collect any shortfall from the defaulting entity. By contrast, the new Peak funding agreement holds each balancing authority financially responsible to pay the full amount of the Peak charges assessed to it based on the calculation of the balancing authority's allocated percentage of total load, regardless of the balancing authority's ability to collect those charges from scheduling coordinators.

In light of this difference, it is necessary for the ISO to have provisions that address how the ISO will proceed in the event of a payment default. Accordingly, the ISO proposes provisions that allow the ISO to generally follow its existing tariff procedures for collecting payment from a defaulting scheduling coordinator. These provisions allow the ISO to exercise its rights to recover non-payment from the financial security provided by the defaulting scheduling coordinator, assess interest charges for late payments, and exercise any available rights of recoupment or set-off. In addition, to the extent that these efforts do not result in full payment, the ISO would be permitted, at its discretion, to issue a supplemental invoice to make up for a potential shortfall resulting from a default. If the ISO determines that such a supplemental invoice is necessary, the charges would be allocated based on the share of NERC/WECC meter demand of each non-defaulting scheduling coordinator.

POSITION OF THE PARTIES

On May 8, 2015, the ISO circulated to stakeholders a straw proposal that described this proposed tariff amendment and included a complete set of the proposed revisions to existing tariff language. The ISO held two stakeholder calls to discuss the proposal and solicited written comments. Although approximately 20 parties joined the stakeholder calls, only two parties submitted comments.

One of the commenting parties expressed general support for the proposal, but asked for clarification of certain aspects of the invoicing process and the process for calculating a scheduling coordinator's collateral requirements based on a scheduling coordinator's obligation to pay reliability coordinator charges. In response to these comments, the ISO made changes to its proposal regarding collateral requirements to make clear that the ISO's calculation of collateral and other credit requirements will include an adjustment for a scheduling coordinator's allocable share of reliability coordinator charges. The specifics of this adjustment were set forth in a draft final proposal that the ISO issued on May 28, 2015.

The other commenting party asked the ISO to consider revising the methodology for allocating Peak charges to include scheduling coordinators for resources in addition to scheduling coordinators for load. The ISO declined to make this change. As noted, the existing NERC/WECC charges – which include the amount for reliability coordinator

services – are allocated by WECC only to load serving entities. This cost allocation methodology was approved by FERC as just and reasonable. The ISO's proposal preserves this fundamental approach and ensures that the change from a consolidated bill into separate bills from Peak and WECC does not result in a substantive change in the amounts that market participants are obligated to pay. The ISO's approach, moreover, is consistent with fundamental cost causation principles because the charge that the ISO receives from Peak is based solely upon the amount of load within the ISO balancing authority area and does not vary based on the nature or amount of resources participating in the ISO market.

CONCLUSION

Management requests Board approval of the ISO's proposal to revise its settlement and payment processes to accommodate a separate invoice from Peak Reliability for reliability coordinator charges. The proposed amendments are necessary to ensure that the ISO has authority to collect these charges once the Peak funding agreement becomes operative and the ISO receives its first Peak bill in November 2015.



**Board of Governors
General Session**

June 30, 2015

Decision on Peak Reliability Coordinator funding proposal

Motion

Moved, that the ISO Board of Governors approves the proposal to amend the tariff to establish settlement and payment processes for reliability coordinator charges from Peak Reliability, as described in the memorandum dated June 24, 2015; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff change.

Moved: Bhagwat Second: Galiteva

Board Action: Passed		Vote Count: 4-0-0
Bhagwat	Y	
Galiteva	Y	
Mullin	Y	
Olsen	Y	

Motion Number: 2015-06-G1