

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

California Independent System) Docket No. ER16-____-000
Operator Corporation)

**PETITION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION FOR APPROVAL OF DISPOSITION OF PROCEEDS OF PENALTY
ASSESSMENTS**

Pursuant to Rule 207 of the Commission’s Rules of Practice and Procedure¹ and section 37.9.4 of the California Independent System Operator Corporation (“CAISO”) FERC Electric Tariff, the CAISO hereby seeks the Commission’s approval of the distribution of the proceeds of penalties collected for violations of the CAISO’s Rules of Conduct.² The CAISO proposes to distribute the proceeds in accordance with the allocation set forth in Attachment 1 to this filing. The CAISO requests confidential treatment of Attachment 1 under 18 C.F.R. § 388.112.

I. DISCUSSION

Section 37.9.4 of the CAISO tariff requires the CAISO to place all proceeds of penalties collected under section 37.9 into a trust account. After the end of the year, the CAISO must allocate those proceeds, together with interest, to scheduling coordinators for eligible market participants. Eligible market participants are those that were not assessed a financial penalty under section 37 during the relevant calendar year. In distributing the funds, the CAISO pays eligible market participants based on the product

¹ 18 C.F.R. § 385.207

² See Section 37 of the CAISO FERC Electric Tariff.

of: (a) the amount in the trust account, including interest; and (b) the ratio of grid management charge payments by the scheduling coordinator on behalf of eligible market participants to the total of such amounts paid by all scheduling coordinators. The payment cannot be more than the amount of grid management charge paid by the scheduling coordinator on behalf of all eligible market participants that it represents. Subsequent to the disposition, the scheduling coordinator is responsible for distributing the amounts to the eligible market participants in proportion to their share of the grid management charge paid by the scheduling coordinator on their behalf.

Section 37.9.4 requires the CAISO to “obtain FERC’s approval of its determination of eligible Market Participants and their respective shares of the trust account proceeds” before distributing the penalty proceeds. Through the instant filing, the CAISO hereby seeks approval to distribute the proceeds from penalties assessed in calendar year 2014.³ In 2014, the CAISO assessed \$356,000 in penalties. As of the October 28, 2015, trading day, these funds have accrued \$711.28 in interest. Once the CAISO receives Commission approval to distribute the penalty proceeds, the CAISO will recalculate the final interest amount to correspond to the actual day on which the distribution will occur. As noted in the CAISO’s prior penalty disposition filings, the CAISO used the applicable trading day of the settlement statement on which the CAISO

³ Historically, the CAISO has sought Commission approval of its proposed distribution of penalty proceeds by filing a petition pursuant to Rule 207. The Commission previously has approved such filings. *Cal. Indep. Sys. Operator Corp.*, Docket No. ER13-439-000 (February 19, 2013) (unpublished letter order); *Cal. Indep. Sys. Operator Corp.*, Docket No. ER12-77-000 (January 6, 2012) (unpublished letter order); *Cal. Indep. Sys. Operator Corp.*, Docket No. ER11-2086-000 (February 17, 2011) (unpublished letter order); *Cal. Indep. Sys. Operator Corp.*, Docket No. ER10-891-000 (Aug. 27, 2010) (unpublished letter order).

invoiced the penalty to determine the calendar year in which it assessed the penalty.⁴

The breakdown of penalties is as follows:

2014 Calendar Year Penalties

| Tariff Section | Number of Violations | Amount |
|---|----------------------|----------------------------|
| 37.4 Comply with Availability Reporting Requirements | | |
| 37.4.1 (Reporting Availability) | 0 | \$0.00 |
| 37.4.2 (Scheduling And Final Approval Of Outages) | 0 | \$0.00 |
| 37.4.3 (Explanation of Forced Outages) | 1 | \$7,000.00 |
| 37.5 Provide Factually Accurate Information | | |
| 37.5.2 (Inaccurate or Late Actual SQMD) | | |
| Inaccurate ASQMD | 17 | \$265,000.00 |
| Late ASQMD | 11 | \$39,000.00 |
| 37.6 Provide Information Required By CAISO Tariff | | |
| 37.6.1 (Required Information Generally) | | |
| Late RA or Supply Plans | 11 | <u>\$45,000.00</u> |
| | | <u><u>\$356,000.00</u></u> |

As contemplated by section 37.9.4, the CAISO contacted each scheduling coordinator that was assessed a penalty during the 2014 calendar year to determine each market participant served under the scheduling coordinator identification number and the amount of grid management charge paid by each such market participant. Based on the information scheduling coordinators provided the CAISO in response to the inquiry, the CAISO calculated the allocation of penalty proceeds under the methodology set forth in section 37.9.4. The results of that calculation are included in Attachment 1.⁵

⁴ See, e.g., Petition of the California Independent System Operator Corporation for Approval of Disposition of Proceeds of Penalty Assessments 2, FERC Docket No. ER08-1565-000 (Sept. 22, 2008).

⁵ The allocation for some Scheduling Coordinators is under \$10. Per section 11.29.7.2.1, Invoices and Payment Advices “for amounts less than \$10.00 will be adjusted to \$0.00 and no amount will be due to or from that Scheduling Coordinator” The Invoices/Payment Advices on which the CAISO will

Consistent with the approach the CAISO followed in previous filings with the Commission for approval of disposition of penalty proceeds – and which the Commission has authorized – the CAISO is requesting that Attachment 1 be afforded confidential treatment under 18 C.F.R. § 388.112. The CAISO believes that the scheduling coordinators involved would consider their CAISO settlement information to be confidential business information, which is information of the type that the CAISO typically does not release to the public.

II. CORRESPONDENCE AND MARKET NOTICE

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

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Because this matter may be of interest to all scheduling coordinators, the CAISO will issue a market notice of this filing.

allocate the penalty proceeds are likely to have other debits and credits that bring the total amount of the Invoice/Payment Advice above \$10. If that is not the case and the total amount remains less than \$10, then that Scheduling Coordinator will not receive the funds identified in confidential Attachment 1.

III. CONCLUSION

Accordingly, the CAISO requests that the Commission approve the disposition of proceeds described in Attachment 1 and provide confidential treatment of Attachment 1 under 18 C.F.R. § 388.112.

Respectfully submitted,

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December 17, 2015

PRIVILEGED MATERIAL VOLUME
Re: California Independent System Operator Corporation
Docket No. ER16-____-000

**PETITION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION FOR APPROVAL OF DISPOSITION OF PROCEEDS OF
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Filed December 17, 2015

Attachment 1

**[ATTACHMENT CONSISTS OF PRIVILEGED MATERIAL REDACTED
PURSUANT TO 18 C.F.R. 388.112]**