

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

**California Independent System            )           Docket No. ER17-1796-000**  
**Operator Corporation                        )**

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION**

The California Independent System Operator Corporation (CAISO) respectfully submits its answer to the comments filed in the above-identified docket.<sup>1</sup> This proceeding concerns the CAISO's filing of the Implementation Agreement between the CAISO and Powerex Corp. (Powerex), which sets forth the terms under which the CAISO will enable Powerex's participation in the energy imbalance market (EIM) that the CAISO operates. As explained below, no intervenor protested the Implementation Agreement, argued that it should be modified, or otherwise requested any action by the Commission. Therefore, the Commission should accept the Implementation Agreement as filed and without condition.

**I.       Background and Introduction**

On June 9, 2017, the CAISO filed the Implementation Agreement to establish the contractual terms under which the CAISO and Powerex will work towards establishing a framework for Powerex's participation in the EIM. As with all prior-filed EIM implementation agreements, the Powerex-CAISO agreement sets forth milestones that guide the implementation efforts necessary to support

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

Powerex's EIM participation and ensures that Powerex will compensate CAISO for the associated costs. The Implementation Agreement also recognizes that the framework for Powerex's participation ultimately will be reflected in participation agreements to be separately filed with the Commission for acceptance before Powerex commences EIM participation. The CAISO requested that the Commission accept the Implementation Agreement effective August 15, 2017, consistent with a schedule that will allow Powerex to commence EIM participation on April 4, 2018.<sup>2</sup>

Following the submission of the Implementation Agreement, the EIM Participants,<sup>3</sup> Pacific Gas and Electric Company (PG&E), and Southern California Edison Company (SCE) filed comments on the agreement. None of the commenters protest the Implementation Agreement, request that the Commission modify any of its provisions, defer the requested effective date, impose any condition on its implementation, or take any other action with respect to the terms of the agreement. In fact, the EIM Participants, PG&E, and SCE each state that they *favor* expansion of the EIM to support participation by Powerex. The further comments supplied by these intervenors principally identify aspects of the substantive framework that will be used to facilitate Powerex's participation in the EIM that they believe will merit further clarification or consideration. In addition, the EIM Participants request clarification regarding a

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<sup>2</sup> See transmittal letter for June 9 filing at 1, 9.

<sup>3</sup> The EIM Participants consist of Idaho Power Company, Puget Sound Energy, Portland General Electric Company, PacifiCorp, Arizona Public Service, and NV Energy.

provision of the Implementation Agreement addressing potential modification of the agreement to include a third-party.

## **II. Answer**

### **A. Concerns Identified by Commenters Are Premature and Beyond the Scope of this Proceeding**

The CAISO recognizes commenters' support for the continued expansion of the EIM as well as their desire to receive further clarification of the framework that will be used to facilitate Powerex's participation in the EIM. As noted in the June 9 Filing, Powerex's participation in the EIM with the capability of resources and load located in Canada presents unique legal and regulatory considerations that will need to be reflected in the manner in which Powerex participates in the EIM. The need to account for these unique circumstances does not mean that Powerex will be subject to a different set of rules than other EIM participants. Rather, the Implementation Agreement is intended to document the CAISO and Powerex's commitment to work towards development of a participation framework that accommodates these unique circumstances in a manner that is compatible with the established EIM framework and market rules.

It would be premature, however, to consider the merits of the substantive framework that will be used to facilitate Powerex's participation in the EIM. To the extent that commenters raise issues concerning the substantive framework that will be used for Powerex's participation, these matters are beyond the scope of this proceeding or any pending proceeding. The Commission should accept the Implementation Agreement without condition or modification, and forgo consideration in this docket of issues that do not bear on the justness and

reasonableness of the Implementation Agreement. Such issues can be addressed in future proceedings concerning the participation agreements where those issues may be relevant.

Notably, the Implementation Agreement represents the beginning of the process for developing a participation framework, not the end of that process. The Implementation Agreement does not establish binding terms for Powerex's participation in the EIM, but merely commits the CAISO and Powerex to work in good faith to reach agreement on an acceptable framework. The terms and conditions of Powerex's participation in the EIM will be set forth in participation agreements that will be separately filed for Commission review pursuant to Section 205 of the Federal Power Act (FPA), and nothing in the Implementation Agreement prejudices or predetermines the outcome of these proceedings.

In evaluating prior EIM implementation agreements, the Commission has repeatedly rejected attempts by commenters to raise concerns regarding the substantive framework that would be used to facilitate an entity's participation in the EIM as premature and beyond the scope of the proceeding.<sup>4</sup> For example, in

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<sup>4</sup> "With regard to Six Cities' concern that CAISO market participants are at risk for any commitments that cannot be cancelled if PacifiCorp terminates [its] Implementation Agreement, . . . these cost allocation issues are beyond the scope of this proceeding and should be addressed if CAISO seeks to recover costs from other customers." *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,298, at P 34 (2013). "Similarly, Six Cities, PG&E and SoCal Edison's concerns over potential allocation to CAISO customers of costs incurred in connection with the Implementation Agreement are premature." *Id.* "The expansion of the energy imbalance market and the resulting costs beyond PacifiCorp involvement is not being proposed at this time, so we agree with CAISO that UAMPS's concern is outside the scope of this proceeding." *Id.* at P 35. "We agree with CAISO that the Implementation Agreement [with NV Energy] does not contain any provision authorizing it to charge any costs of the expanded energy imbalance market effort with NV Energy to existing CAISO customers. As such, we find the cost allocation issues raised by PG&E and SoCal Edison are beyond the scope of this proceeding and should be addressed if CAISO seeks to recover costs from other customers." *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,200, at P 28 (2014). "Commenters' concerns about wheeling access charges and

responding to commenters who sought assurance that principles included in the CAISO-PacifiCorp implementation agreement did not predispose any outcome concerning the EIM design, the Commission found that nothing in the implementation agreement prejudices or predetermines any market design issues.<sup>5</sup> The Implementation Agreement presented here follows the same model: Powerex's participation in the EIM will be subject to a later section 205 filing and the Commission's rulings on that filing; nothing in the Implementation Agreement prejudices or predetermines any outcome.

Similar to its findings on other EIM implementation agreements, the Commission should find that questions and concerns regarding the framework that will be used to permit Powerex's participation are beyond the scope of the present proceeding and that any consideration of the substantive merits of that framework should be deferred until the filing of the participation agreements and any tariff revisions required for Powerex's participation. To the extent that commenters have concerns regarding the proposed framework, they should be resolved within the context of the Commission's review of the associated participation agreements and any necessary tariff revisions.

Although the CAISO believes that it is premature to further consider the substantive aspects of Powerex's participation in this proceeding, the CAISO appreciates and understands the issues raised by the commenters. The CAISO

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transmission cost recovery are beyond the scope of this proceeding." *Id.* at P 29. "The Commission agrees with CAISO that the issues raised by commenters [in the proceeding on the implementation agreement with Puget Sound Energy], including the readiness measures and Puget's arrangements with BPA, are beyond the scope of this proceeding." *Cal. Indep. Sys. Operator Corp.*, 151 FERC ¶ 61,158, at P 21 (2015).

<sup>5</sup> *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,298 (June 28, 2013), at PP 35.

will consider these issues as it works with Powerex towards establishing a framework that both takes into account the unique considerations of Powerex's participation using the capability of resources and load located in Canada and respects the existing EIM structure. In addition, the CAISO and Powerex will continue to engage in outreach and dialogue with interested stakeholders as they move forward with efforts to establish a framework for Powerex's participation.

**B. No Addition of Any Party to the Implementation Agreement is Contemplated and Would Be Explained in a Subsequent FPA Section 205 Filing.**

The EIM Participants request additional information about how the CAISO intends to implement a provision in section 8(b) of the Implementation Agreement stating that “[t]his Agreement may be modified to include one or more additional parties upon mutual agreement, not to be unreasonably withheld or delayed, of the then-current Parties, if the new party agrees to fund its share of implementation costs in a manner similar to Powerex.” The EIM Participants state that no other EIM implementation agreement contains this provision.<sup>6</sup> EIM Participants overlook that section 8(b) of the implementation agreement for PacifiCorp accepted in Docket No. ER13-1372-000 contains the same provision except with the word “PacifiCorp” at the end instead of “Powerex.”

The parties included that general provision in the PacifiCorp implementation agreement because there was uncertainty about whether an additional party or parties might sign on to the agreement. If the CAISO and Powerex invoke the similar provision in the Implementation Agreement, they will

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<sup>6</sup> EIM Participants at 3.

need to make an FPA section 205 filing explaining why the Implementation Agreement should be modified to include an additional party or parties. This provision accordingly should raise no concern for the EIM Participants or the Commission and, at this time, there are no additional parties to the Implementation Agreement contemplated.

### **III. Conclusion**

The CAISO shares the positive sentiments of commenters in expanding the EIM to include Powerex and looks forward to developing subsequent agreements to enable loads and resources located in Canada to participate. For the foregoing reasons, the CAISO requests that the Commission accept the Implementation Agreement as filed and without condition.

Respectfully submitted,

**By: /s/ John C. Anders**

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Dated: July 14, 2017

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the above-referenced proceeding, pursuant to the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, this 14<sup>th</sup> day of July, 2017.

/s/ Grace Clark  
Grace Clark