

and evaluate various elements of its market design.

The Federal Power Act does not require the Commission to determine that a proposal is the best solution, only a reasonable one.³ In this proceeding, the CAISO proposes to lower its shift factor threshold to two-tenths of a percent for Default Load Aggregation Points (Default LAPs) and Trading Hubs. In addition, the CAISO proposes to lower the shift factor threshold to Interties with significant transfer capability, if further analysis performed by the CAISO supports doing so. The CAISO explains that, among other things, this change will better model the impact that these aggregated locations may have on flows to manage transmission constraints. By reducing the shift factor threshold, the CAISO will also bring the settlements of its congestion revenue rights more closely in alignment with pricing in the energy market, thereby making congestion revenue rights a more effective hedging instrument. Appian Way and ETI raise concerns about the under-collection (or underfunding) of congestion rents to fund congestion revenue rights settlements and the need for the CAISO to examine other rule changes. By better aligning the congestion revenue rights model and pricing model used in the integrated forward market, the CAISO's proposal will in part address this concern. Indeed, Appian Way and ETI both support the CAISO's proposed change and do not argue it is unjust or unreasonable.

The Commission need not consider calls for additional reforms in the context of the CAISO's Section 205 filing. The CAISO has explained to stakeholders participating in the initiative underlying this tariff revision that it will consider requests for additional

³ See, e.g., *Petal Gas Storage, L.L.C. v. FERC*, 496 F.3d 695, 703 (D.C. Cir. 2007) ("FERC is not required to choose the best solution, only a reasonable one.").

market design initiatives in the context of its stakeholder initiative roadmap process.⁴ In addition, as the CAISO performs analysis on the drivers behind settlement outcomes observed by market participants it will share the results of that analysis, which will serve to inform areas of market design for further consideration. Appian Way and ETI may raise their concerns through that process. The Commission should not entertain them in the context of the CAISO's Section 205 filing. To do so would be procedurally improper.

For the reasons explained above and in this proceeding, the CAISO respectfully requests that the Commission accept its proposed tariff revisions as filed.

Respectfully submitted

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⁴ See CAISO Market Parameter Changes Enhancement Revised Final Proposal at p. 7: <http://www.caiso.com/InitiativeDocuments/Revised-Final-Proposal-Market-Parameter-Changes-Enhancement.pdf>

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 29th day of June, 2023.

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