

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

**California Independent System
Operator corporation**

Docket No. ER13-1274

**Answer to Motion to Intervene and Comments, Motion to File Answer and
Answer to Protests, of the California Independent System Operator
Corporation**

I. Introduction

The California Independent System Operator Corporation (ISO)¹ hereby files this answer to the motions to intervene, comments, and protests submitted in response to the ISO's April 12, 2013 tariff amendment in this proceeding.² In its April 12, 2013 filing, the ISO proposed to clarify existing tariff language and correct inadvertent errors and inconsistencies in its tariff. Several parties filed motions to intervene in this proceeding.³ Of these parties, Six Cities filed a protest. NRG, SCE

¹ The ISO is also sometimes referred to as the CAISO. Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the ISO tariff.

² The ISO submits this answer pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213. The ISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer the protest filed in this proceeding. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in its decision-making process, and help to ensure a complete and accurate record in this case. See, e.g., *Entergy Services, Inc.*, 116 FERC ¶ 61,286, at P 6 (2006); *Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,124, at P 11 (2006); *High Island Offshore System, L.L.C.*, 113 FERC ¶ 61,202, at P 8 (2005).

³ The following entities filed motions to intervene: Powerex Corp.; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California (Six Cities); the City of Santa Clara (Santa Clara); the California Department of Water Resources (CDWR); the Northern California Power Agency; Modesto Irrigation District; the Cogeneration Association of California & the Energy Producers & Users Coalition; Pacific Gas and Electric Company; Southern California Edison (SCE) and Trans Bay Cable LLC.

and the City of Santa Clara filed comments. The protests and comments raise various concerns with specific proposed clarifications and offer additional recommended tariff changes. The ISO addresses each issue raised in the parties' protest and comments below and is willing to make certain tariff changes on compliance to address issues raised by the parties.

The Commission, however, should reject Six Cities' argument that the ISO is attempting to modify Commission policy relating to the network upgrade in-service requirement for reimbursement of network upgrade costs to non-phased generating facilities. The Commission should also reject Six Cities' argument that the ISO's proposed administrative fee for providing scheduling coordinators with copies of archived settlement statement or invoices is excessively high. With respect to NRG's request that the Commission renew its directive for the ISO to submit a plan for the competitive procurement of voltage support, the ISO asks that the Commission reject this request because it seeks relief beyond the scope of this proceeding.

The ISO is willing to make certain additional changes to its proposed tariff provisions on further compliance as recommend by intervening parties. The ISO requests that the Commission accept the tariff changes as proposed by the ISO in its filing and as clarified in this answer.

II. Answer

A. The ISO's proposed revisions relating to reimbursement for network upgrades for non-phased generating facilities are consistent with Commission precedent.

In its protest, Six Cities argues that the Commission should reject the ISO's proposal to remove the in-service requirement for interconnection customers to obtain reimbursement for network upgrades required for non-phased generating

facilities in the Appendices CC and EE of the ISO tariff.⁴ In its filing, the ISO proposed to revise Section 11.4.1 of Appendices CC and EE to remove language in *pro forma* interconnection agreements that require an interconnection customer with a non-phased generating facility to wait until the in-service date of corresponding network upgrades prior to being entitled to repayment for the cost of those network upgrades.⁵ A phased generating facility is a generating facility that is structured to be completed and to achieve commercial operation in two or more successive sequences that are specified in the generator interconnection agreement, such that each sequence comprises a portion of the total megawatt generation capacity of the entire generating facility. In contrast, a non-phased generating facility is a generating facility that is structured to be completed and to achieve commercial operation in one sequence.

Six Cities asserts that customers taking service under the ISO tariff should not be required to pay for facilities that are not yet in service, and an interconnection customer is not entitled to payment for an upgrade that is not yet complete. Six Cities may have a valid perspective, but the Commission has previously determined that the ISO's generator interconnection procedures provide that, with respect to non-phased projects, refunds for network upgrades begin upon the commercial operation date of the generating facility.⁶ The Commission directed that if ISO

⁴ Protest of Six Cities at 2-3.

⁵ Appendix CC of the ISO's tariff is a Large Generator Interconnection Agreement for Interconnection Requests in a Queue Cluster Window that are tendered a Large Generator Interconnection Agreement on or after July 3, 2010. Appendix EE of the ISO's tariff is Large Generator Interconnection Agreement for Interconnection Requests Processed under the Generator Interconnection and Deliverability Allocation Procedures.

⁶ *Cal. Indep. Sys. Operator Corp.* 140 FERC ¶ 61,168 at P 7, citing ISO tariff, Appendix Y, § 12.3.2.1

interprets its tariff differently, the ISO should file revised tariff language to clarify the timing of refunds associated with a non-phased project.⁷

The proposed changes to Section 11.4.1 of Appendices CC and EE only serve to implement the Commission's prior order and remove any ambiguity from the ISO tariff regarding what conditions apply to repayment of network upgrade cost for non-phased projects. To the extent Six Cities wishes that the ISO re-examine this tariff rule on a going forward basis, Six Cities should raise this matter in the ISO's stakeholder initiatives catalog process or in the context of a stakeholder process involving enhancements to generator interconnection rules and procedures. The Commission, however, should reject Six Cities' argument in this proceeding that the ISO is attempting to modify Commission policy. To the contrary, the ISO is merely seeking to ensure its tariff is internally consistent as interpreted by the Commission's prior order.

B. The ISO's proposed administrative fee for researching and retrieving archived settlement statements and invoices is just and reasonable.

Six Cities argues that the ISO has proposed an administrative fee for retrieving archived settlement statements and invoices that is unnecessarily high and that the ISO has not offered actual cost support to justify this administrative fee.⁸ The ISO's proposed fee is to charge \$200 for each of the first two archived settlements statement or invoices requested and \$50 for each additional archived settlements statement or invoice.⁹ Six Cities did not question or oppose this administrative fee during the ISO's tariff clarification stakeholder process. Moreover,

⁷ *Id.* at P 7.

⁸ Protest of Six Cities at 3-4.

⁹ ISO transmittal at 7.

Six Cities does not dispute that administering a request to retrieve and provide archived settlement statements necessarily takes the time of employees in the ISO's settlements and client relations groups to manage the intake of any such request, research and retrieve archived documents, and then provide the documents to the requesting scheduling coordinator.

The ISO maintains archived settlement statements and invoices in .ZIP file format in order to compress the size of these documents. This format stores multiple files necessitating the need to undertake manual searches when scheduling coordinators request archived settlement statements or invoices. In response to a request earlier this year, ISO staff required several hours to locate and retrieve the requested documents.

The Commission has previously identified a range of between \$33 and \$54 dollars per hour as an average salary of business operations specialists and computer and information systems managers for time spent manually gathering data.¹⁰ This is the type of ISO staff involved in interfacing with scheduling coordinators and researching and retrieving archived settlement statements and invoices. Given the time potentially required to process a scheduling coordinator's request, the staff involved, and the fact that it is generally a manual process, the ISO's proposed administrative fee is within a just and reasonable range.

In addition to serving as a proxy for costs associated with the time to research and retrieve archived settlement statements and invoices, the ISO's proposed administrative fee also will incentivize scheduling coordinators to use the web interface that the ISO has established for the purpose of processing settlement

¹⁰ See e.g. *Availability of E-Tag Information to Commission Staff* 141 FERC ¶ 61,235 (December 2012) at P 65, fn 160.

statements, and not rely on the ISO to excavate documents outside of the established process. Six Cities argument ignores the need for this economic signal. The Commission should accept the ISO's proposed administrative fee as a just and reasonable measure to ensure market participants do not unnecessarily lean on ISO resources to undertake work not funded by the ISO grid management charge.

C. NRG's request for the Commission to direct the ISO to submit a plan for the competitive procurement of voltage support exceeds the scope of this proceeding.

In its comments, NRG asks the Commission to renew a directive for the ISO to submit a plan for the competitive procurement of voltage support and provide the ISO with a timeline for submitting that plan.¹¹ NRG's request exceeds the scope of this proceeding.

As part of its proposed tariff amendments in this proceeding, the ISO proposes to delete tariff provisions relating to certification of resources to provide voltage support as an ancillary service.¹² These provisions currently have no practical force or effect because the ISO does not certify resources to provide voltage support as an ancillary service. NRG agrees with the ISO that existing tariff language does not have any effect, but argues that the ISO should submit a plan to develop a market product for voltage support. NRG asserts that the ISO has never complied with a Commission directive to submit such a plan.

In an order dated February 20, 2009 pertaining to exceptional dispatches issued by the ISO in part to obtain necessary voltage support, the Commission determined that voltage support services may be procured through a competitive market product and directed the ISO to file a report within 120 days to detail the

¹¹ Comments of NRG at 3-5.

¹² ISO transmittal at 4.

outcome of the stakeholder process and its plans for a long-term solution for procuring voltage support outside of exceptional dispatch.¹³ On June 22, 2009, the ISO filed a status report in response to the Commission's directive.¹⁴

The ISO's status report noted that the competitive procurement of voltage support faces some unique challenges compared to other ancillary services. Due to its electrical characteristics, reactive power is absorbed close to the proximity in which the reactive power is provided in order to support local voltage needs. In other words, reactive power cannot be transported long distances like real power. This creates the potential for local market power to meet any voltage support requirements. Nevertheless, the ISO committed to institute a stakeholder process after gathering additional data related to exceptional dispatches for voltage support.

In September 2009, the Commission issued an order on rehearing of its February 20, 2009 order.¹⁵ On rehearing, the Commission clarified the ISO's reporting requirements associated with exceptional dispatch reports and urged the ISO to move forward with a stakeholder process assessing the reasons underlying exceptional dispatches and addressing what market products and/or solutions may be developed to limit the ISO's reliance on exceptional dispatch to situations that are rare and infrequent or genuine emergencies.¹⁶ Of importance to NRG's request in this proceeding, the Commission noted "it does not favor any one market product or solution over any other market product or solution."¹⁷ Instead, the Commission

¹³ *Cal. Indep. Sys. Operator Corp.* 126 FERC ¶ 61,150 (2009) at P 45.

¹⁴ Status Report of the California Independent System Operators dated June 22, 2009 in Docket ER08-1178 at 10-16. <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12052314>

¹⁵ *Cal. Indep. Sys. Operator Corp.* 128 FERC ¶ 61218 (2009).

¹⁶ *Id.* at P 51.

¹⁷ *Id.* at fn 67.

encouraged the ISO and its stakeholders to identify and develop the most appropriate market products and/or solutions that are needed to eliminate reliance on exceptional dispatch.¹⁸

In 2010, the ISO initiated a stakeholder process to review and assess exceptional dispatch.¹⁹ That process included an analysis of potential new products and concluded that the ISO could not justify a new market product based on underlying reasons for exceptional dispatches.²⁰

Notwithstanding that conclusion, the ISO continues to assess whether to initiate a stakeholder process devoted to the competitive procurement of voltage support.²¹ Through this process, the ISO has gauged stakeholder desire for a competitive market product to secure voltage support as an ancillary service. In the 2012 stakeholder initiative catalog process, the ISO requested input from stakeholders regarding interest in developing a market product for voltage support. One stakeholder advocated that the ISO delete this initiative from its catalog; other stakeholders opposed deletion of this initiative from the catalog.²² In the end, the initiative was kept in the catalog and submitted to stakeholders for prioritization. The 2012 stakeholder initiatives catalog contained 36 discretionary initiatives and each stakeholder was asked to provide his or her list of five high priority initiatives on

¹⁸ *Id.*

¹⁹ See, ISO White Paper dated June 10, 2010 <http://www.caiso.com/Documents/WhitePaper-ExceptionalDispatchReviewandAssessment10-Jun-2010.pdf>

²⁰ *Id.* at 23-27.

²¹ More background on the ISO stakeholder initiative catalog process is available on the ISO website: <http://www.caiso.com/informed/Pages/StakeholderProcesses/StakeholderInitiativesCatalogProcess.aspx>

²² 2012 Stakeholder Initiatives Catalog dated December 4, 2012 at 40. http://www.caiso.com/Documents/2012_StakeholderInitiativesCatalog.pdf

which the ISO should concentrate. Only two stakeholders ranked this initiative as a priority.²³ NRG did not include voltage support as one of its top five priority initiatives.

The ISO intends to keep the issue of whether to develop a market product for the competitive procurement of voltage support in its stakeholder initiatives catalog and explore with stakeholders whether to devote resources to assess whether to design and implement a market product for voltage support through that process. The ISO will report on the status of this initiative as part of the 2013 stakeholder initiatives catalog.

NRG and other stakeholders interested in the development of this market product should present their views in the stakeholder initiative catalog process. They may also initiate a proceeding before the Commission, if they believe the ISO should divert resources from other initiatives and undertake a stakeholder process to examine the competitive procurement of voltage support. This proceeding, however, is not the venue to compel the ISO to design a market product for voltage support.

D. The ISO is willing to make certain changes to its tariff amendment in response to parties' comments.

Several parties have identified additional refinements to the ISO's proposed tariff clarifications. The ISO is willing to make these changes on compliance.

In its comments, SCE recommends the ISO make several refinements to its proposed changes to Appendix T of the ISO tariff, the *pro forma* small generator interconnection agreement.²⁴ Specifically, SCE asks that the Commission direct the

²³ *Id. at 6.*

²⁴ Comments of SCE at 3-4. The changes SCE proposes to Appendix T also apply to Appendix FF, the *pro forma* small generator interconnection agreement for interconnection requests processed under the generator interconnection and deliverability allocation procedures. The ISO commits to make similar changes to Appendix FF on compliance, if the Commission so directs.

ISO to modify the reference to *Interconnection Service* in Article 3.4.3 of Appendix T. SCE states that *Interconnection Service* is capitalized, but is not a defined term under the small generator interconnection agreement. SCE states that Articles 3.4.1 and 3.4.2 of Appendix T also contain the term *interconnection service* but it is lower case, and therefore, it appears it should have been left as lower case in Article 3.4.3 as well. Appendix T contains a glossary of terms for the small generator interconnection agreement in Attachment 1. Article 1.9 of the *pro forma* small generator interconnection agreement states that “Capitalized terms used herein shall have the meanings specified in the Glossary of Terms in Attachment 1 or the body of this Agreement.” *Interconnection service* does not appear in this glossary. The ISO, accordingly, is willing to make the change SCE recommends and make the words *Interconnection Service* lower case, if the Commission so directs.

SCE asks the Commission to direct the ISO to modify the reference to *Generating Facility* in Article 5.3.1.4 of Appendix T. SCE states that it appears the term “Generating Facility” should be lower case, since the reference concerns a facility other than the Interconnection Customer’s generating facility. The ISO agrees with SCE’s comment and is willing to make the change SCE recommends to Article 5.3.1.4 of Appendix T to make the words *Generating Facility* lower case, if the Commission so directs.

SCE raises a concern with the order of the terms “CAISO Controlled Grid” and “CAISO Tariff” in the glossary of terms contained in Attachment 1 to Appendix T. SCE correctly notes that these terms should appear in alphabetical order ahead of the term “Commercial Operation Date.” SCE also comments that the proposed addition of a defined term for “Generating Facility” in the glossary contained in

Attachment 1 of Appendix T is not necessary. SCE notes that this new defined term overlaps with the definition of “Small Generating Facility” and recommends that the ISO delete the proposed definition for “Generating Facility.” The ISO concurs with SCE’s comments and is willing to make these changes, if the Commission so directs.

In its comments, SCE recommends the ISO make several refinements to its proposed changes to Appendix CC of the ISO tariff, the *pro forma* large generator interconnection agreement for interconnection requests in a queue cluster window tendered on or after July 3, 2010.²⁵ Specifically, SCE recommends adding Articles 11.4.1.1 – 11.4.1.4 to the table of contents. The ISO is willing to include this change to Appendix CC, if the Commission so directs.²⁶

SCE also recommends that as part of Article 1 of Appendix CC in the definition of Interconnection Study, the ISO should change the term “Facilities Study” to lower case. SCE notes this term is not defined under the large generator interconnection agreement. The ISO agrees with SCE’s comment and is willing to make this change, if the Commission so directs.²⁷

In Articles 5.16 and 11.4.1.4 of Appendix CC, SCE argues the use of the defined term “Generating Facility” should be lower case, given that the defined term is the Interconnection Customer’s Generating Facility. SCE argues the use of the term “Generating Facility” in these Articles refers not to the interconnection

²⁵ Comments of SCE at 4.

²⁶ The changes SCE proposes to the table of contents in Appendix CC also apply to Appendix EE, the *pro forma* large generator interconnection agreement for interconnection requests processed under the generator interconnection and deliverability allocation procedures. The ISO commits to make similar changes to Appendix EE on compliance, if the Commission so directs.

²⁷ The changes SCE proposes to make the term *Facilities Study* lower case in Appendix CC, also apply to Appendix EE, the *pro forma* large generator interconnection agreement for interconnection requests processed under the generator interconnection and deliverability allocation procedures. The ISO commits to make a similar change to Appendix EE on compliance, if the Commission so directs.

customer's generating facility but to other parties' generating facilities. The ISO agrees with SCE's comment and is willing to make these changes, if the Commission so directs.²⁸

In its comments, the City of Santa Clara comments on the ISO's proposal to use telemetry data as opposed to meter data for purposes of conducting performance audits for spinning and non-spinning reserve.²⁹ Santa Clara points to the fact that ISO tariff section 8.9.10 pertains to performance audits of *resources* providing spinning reserve while section 8.9.11 pertains to performance audits of non-spinning reserve provided by a *Generating Unit, Load, or System Resource*. Santa Clara appropriately asks why these sections do not both refer generically to resources. The ISO is willing to modify Section 8.9.11 on compliance to replace the reference to *Generating Unit, Load, or System Resource* with a generic reference to the term *resources*.

Santa Clara also raises a concern that section 8.9.11 discusses a description of how the ISO will evaluate an external import of a system resource providing non-spinning reserve as well as a load providing non-spinning reserve. The ISO is not proposing to modify these provisions in section 8.9.11 as part of this tariff amendment. The ISO's proposed change only encompasses the data it proposes to use to conduct performance audits (telemetry data instead of meter data).

Santa Clara also identifies the fact that in Appendix FF, Attachment 1 the ISO has proposed to change the order of the defined terms "CAISO Controlled Grid" and

²⁸ The changes SCE proposes to make the term *Generating Facility* lower case in Appendix CC, also apply to Appendix EE, the *pro forma* large generator interconnection agreement for interconnection requests processed under the generator interconnection and deliverability allocation procedures. The ISO commits to make a similar change to Appendix EE on compliance, if the Commission so directs.

²⁹ Comments of the City of Santa Clara at 3-4.

“CAISO Tariff” to alphabetize them in a list of definitions.³⁰ Santa Clara correctly notes that these terms now appear twice in Appendix F, Attachment 1. This is an inadvertent error and the ISO commits to correct it on compliance.

As part of its comments, Six Cities argues the ISO’s tariff sheets that include proposed changes to section to Section 40.4.6.2.1 are inconsistent with the ISO’s transmittal letter.³¹ In its transmittal letter, the ISO explained that it is ISO proposing to add language to the process described in tariff section 40.4.6.2.1 for accepting requests for unassigned available import capability to ensure a more orderly and fair assignment process for this capability to load serving entities and other market participants. Six Cities’ comments identify missing language in step 12 of that process to state that ISO will issue a market notice as to when it will accept requests for unassigned available import capability following the completion of step 12. The ISO concurs with Six Cities’ comments that step 12 of the ISO’s process should state that the ISO will issue a market notice as to when it will accept requests under step 13 for unassigned available import capability following the completion of step 12. The ISO commits to make this modification on compliance, if the Commission so directs.

Six Cities also identifies the following additional refinements it recommends the ISO make to its tariff clarifications: (1) Correct the reference to “Recalculation Settlement Statement 12B” in the definition of “Recalculation Settlement Statement” to read “Recalculation Settlement Statement T+12B;” (2) Include a reference to Recalculation Settlement Statement T+9M in the definition of “Recalculation Settlement Statement T+36M;” and (3) Include a reference to Initial Settlement

³⁰ Comments of City of Santa Clara at 4.

³¹ Comments of Six Cities at 4-5.

Statement T+3B in the definition of "Settlement Statement".³² Additionally, the ISO believes the definition of Settlement Statement should include a reference to unscheduled reissue recalculation settlement statement, which the ISO may issue pursuant to section 11.29.7.3.1 of the tariff. The ISO is willing to make the changes proposed by Six Cities as well as correct the definition of Settlement Statement on compliance, if the Commission so directs.

III. Conclusion

The ISO's proposed tariff amendment clarifies a number of tariff provisions and corrects inadvertent errors that do not materially affect the right and obligations of the ISO or market participants. The Commission should approve the ISO's tariff amendment with the changes the ISO agrees to make in this answer.

Dated: May 14, 2013

Respectfully submitted,

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³² Comments of Six Cities at 6.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 14th day of May 2013.

Is/ Anna Pascuzzo
Anna Pascuzzo