

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

California Independent System Operator Corporation)))	Docket No. ER15-2441-000
---	-------------	---------------------------------

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

The California Independent System Operator Corporation (“CAISO”) moves for leave to answer and answers the Protest that the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside (the “Six Cities”) filed in this proceeding on September 3, 2015.¹

Six Cities acknowledges the Commission previously approved the load-based allocation methodology the CAISO proposes for reliability coordinator charges, but argues that the Commission should order CAISO to depart from that method because both load and resources “benefit from a safe and reliable electric system.” Specifically, Six Cities asks the Commission to order CAISO to include Peak Reliability assessments within the CAISO’s Grid Management Charge (“GMC”) and allocate the charges to resources and load using the GMC Systems Operations Charge.

¹ The CAISO files 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 CAISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer Six Cities’ protest. Good cause for this waiver exists because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in the case. See, e.g., *Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011); *California Independent System Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010); *Xcel Energy Services, Inc.*, 124 FERC ¶ 61,011, at P 20 (2008).

Six Cities raised, in stakeholder comments, the argument that both load and resources should pay. The CAISO addressed that argument in its transmittal letter and explained that such an approach would be inconsistent with Commission precedent and generally accepted cost causation principles, given that Peak's assessment to the CAISO is directly based on the amount of load the CAISO serves. Although Peak's services provide a general reliability benefit to all market participants, the same is true for the reliability standards development, compliance, and enforcement functions performed by NERC and WECC, the cost of which the Commission has found is properly allocated to load by the CAISO, using the exact same allocation methodology as CAISO proposes for Peak's charges. Six Cities identifies no materially changed circumstances that would require the Commission to overhaul the CAISO's longstanding, Commission-approved methodology for allocating reliability coordinator costs to load.

Six Cities argues for the first time here, however, that the CAISO could effectuate such a change by simply folding Peak charges into its GMC. This argument fails to take account of the broader structure of the CAISO's GMC. The CAISO's GMC structure effectively operates as a rate cap, allowing it to avoid annual cost-of-service filings provided it manages the costs it recovers through GMC so that they remain below a Commission-approved limit.² This structure works well for expenses the CAISO has the ability to manage, but is improper for an externally imposed and unavoidable charge such as the Peak reliability coordinator charge. The CAISO has no ability to manage,

² The CAISO's current Commission-approved limit is \$202 million. See CAISO Tariff, §11.22.2.5.

reduce, or avoid Peak's annual charge, which is substantial in amount and has been quite variable (and increasing) in recent years. The CAISO's bill from Peak for 2015, for example, was approximately \$12.2 million, and this amount was an increase of 42% over the amount for 2014.³

Because the CAISO has no means to avoid or limit this charge, it would be improper to fold it into GMC and include it within the CAISO's rate cap. In this regard, the Peak Reliability Coordinator charge is no different from NERC and WECC charges, which the Commission correctly treats as pass-through expenses allocable to CAISO market participants through a load-based assessment mirroring how NERC and WECC charges are allocated to CAISO.

Six Cities' proposal also is inconsistent with the fundamental purpose of the CAISO's GMC, which is the vehicle through which the CAISO recovers *its* administrative, operating and capital costs associated with managing the grid and providing services under its tariff from the entities that use CAISO services. Peak's reliability coordinator costs are separate and distinct from the costs the CAISO incurs to manage the grid and provide services under its tariff, and the reliability coordinator function does not constitute a service or function provided by the CAISO. It is a separate reliability coordinator function under the NERC functional model that Peak is providing to all balancing authority areas in the West. In this regard, reliability coordinator costs are again more akin to the NERC/WECC reliability charges or FERC

³ Although Peak's bill was consolidated into WECC's budget for those years, WECC separately identified the Peak budget within the overall WECC budget, which makes it possible to determine the amount of the WECC charge that was for reliability coordinator services performed by Peak.

fees that the CAISO allocates to customers through a separate invoicing process, rather than through the GMC. As with NERC/WECC charges and FERC fees, Peak's charges should continue to be handled through a separate invoicing process.

For the foregoing reasons, the Commission should accept the CAISO's tariff amendment without condition and without modification.

Respectfully submitted,

By /s/ Burton Gross

Roger E. Collanton

General Counsel

Anthony J. Ivancovich

Deputy General Counsel

Burton Gross

Assistant General Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: (916) 351-4400

Fax: (916) 608-7296

bgross@caiso.com

Counsel for the California Independent System
Operator Corporation

Dated: September 10, 2015

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, 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 10th day of September, 2015.

Anna Pascuzzo
Anna Pascuzzo