

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

California Independent System
Operator Corporation

Docket No. ER16-1483

**MOTION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO FILE ANSWER AND ANSWER TO PROTEST**

The California Independent System Operator Corporation (CAISO) files this answer to the August 8, 2016 protest of Western Energy Trading Forum (WPTF) submitted in response to the CAISO's tariff filing to facilitate compliance with reliability standard BAL-003-1 of the North American Electric Reliability Corporation (NERC).¹ As part of its filing, the CAISO has proposed tariff revisions to allow it to procure transferred frequency response from other balancing authorities in the Western Interconnection. NERC's reporting forms associated with BAL-003-1 explicitly recognize transferred frequency response as a means for balancing authorities to comply with the requirements of BAL-003-1.

In its protest, WPTF argues that the authority the CAISO seeks would discriminate against certain entities with the capability to provide frequency response service by paying for frequency response provided by generators within other balancing authority areas, but not offering to compensate generators within the CAISO's own

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. Rule 213(a)(2) prohibits answers to protests absent permission of the Commission and the CAISO hereby moves for leave to make the answer to the protest. 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 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, P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023, P 16 (2010); *Xcel Energy Services, Inc.*, 124 FERC ¶ 61,011, P 20 (2008).

balancing authority area. The CAISO appreciates WPTF's concern and plans to examine a mechanism for market based payments for frequency response in a stakeholder initiative to start later this year.² The CAISO's proposal, however, to procure transferred frequency response on an interim basis is not unduly discriminatory. All entities that are able to provide transferred frequency response to the CAISO are eligible to participate in the competitive solicitation. Internal generators cannot provide transferred frequency response. The Commission should reject WPTF's arguments for at least two reasons.

First, the CAISO will not pay generators operating in external balancing authority areas for frequency response service. Instead, the CAISO is proposing to make an up-front payment to a balancing authority for the right to make an adjustment on the CAISO's NERC Frequency Response Forms. This adjustment – a practice NERC has recognized as permissible - will enable the CAISO to claim credit for frequency response the contracting balancing authority area supplies to the Western Interconnection. Only balancing authorities within the Western Interconnection with compliance obligations under BAL-003-1 can provide this compliance instrument. The CAISO's proposal provides the CAISO an interim tool to help it meet the requirements of BAL-003-1.³

Second, the CAISO has presented record evidence that it will likely require transferred frequency response insurance to meet its annual frequency response

² As the CAISO has explained in this proceeding, this effort would examine whether separate compensation for frequency response is appropriate, and, if so, how to compensate all CAISO resources technically capable of providing frequency response service. The Commission itself is examining this issue in a notice of inquiry and should not prejudge this issue in response to WPTF's protest.

³ Cf. *ISO New England Inc.*, 148 FERC ¶ 61,179 (September 2014).

measure under BAL-003.⁴ Although the Western Interconnection as a whole appears to have sufficient frequency response,⁵ BAL-003-1 balkanizes this capability by establishing a balancing authority level requirement. As a result, some balancing authority areas may have a surfeit while others may have a deficit of primary frequency response. As the CAISO evaluates the most efficient means to satisfy the requirements of BAL-003, the Commission should not deprive the CAISO of available tools to comply with the standard.

For these reasons, the CAISO's proposal is not unduly discriminatory and the Commission should reject WPTF's protest. The CAISO respectfully requests that the Commission issue an order no later than August 15, 2016 accepting its proposal in this proceeding.

Respectfully submitted,

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⁴ See, CAISO tariff filing dated April 21, 2016 in ER16-1483 at 3-5.
<http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=14212241>

⁵ See, CAISO tariff filing dated July 18, 2016 in ER16-1483 at 10-12.
<http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=14311365>

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 captioned 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 August 2016.

Anna Pascuzzo
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