

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

**California Independent System            )       Docket No. ER18-\_\_\_\_-000  
Operator Corporation                    )**

**PETITION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION FOR APPROVAL OF DISPOSITION OF PENALTY  
ASSESSMENTS PROCEEDS AND NON-REFUNDABLE INTERCONNECTION  
FINANCIAL SECURITY**

Pursuant to Rule 207 of the Commission's Rules of Practice and Procedure<sup>1</sup> and section 37.9.4 of the California Independent System Operator Corporation (CAISO) FERC Electric Tariff, the CAISO hereby seeks the Commission's approval of how the CAISO intends to distribute the proceeds of penalties collected for violations of the CAISO's Rules of Conduct for the calendar year 2016.<sup>2</sup>

In addition, pursuant to the provisions of the Wholesale Distribution Access Tariff (WDAT) of Southern California Edison Company (SCE), the CAISO also hereby seeks the Commission's approval of how it intends to distribute nonrefundable study deposits for projects interconnecting to SCE's distribution system for the 2016 calendar year.

The CAISO proposes to distribute the proceeds in accordance with the allocation set forth in Attachments A and B to this filing. Both proposed

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<sup>1</sup> 18 C.F.R. § 385.207

<sup>2</sup> See Section 37 of the CAISO FERC Electric Tariff.

distributions are consistent with the methodologies previously approved by the Commission to distribute the two sets of proceeds in prior years.<sup>3</sup> The CAISO requests that these attachments be afforded confidential treatment under 18 C.F.R. § 388.112. The CAISO believes that the scheduling coordinators involved would consider their CAISO settlement information to be confidential business information, which is information of the type that the CAISO typically does not release to the public.

## **I. DISCUSSION**

### **A. Distribution of Rules of Conduct Proceeds**

Section 37.9.4 of the CAISO tariff requires the CAISO to place all proceeds of penalties collected under section 37 into a trust account. After the end of the year, the CAISO must allocate those proceeds, together with interest, to scheduling coordinators for eligible market participants. Eligible market participants are those that were not assessed a financial penalty under section 37 during the relevant calendar year. In distributing the funds, the CAISO pays eligible market participants based on the product of: (a) the amount in the trust account, including interest; and (b) the ratio of grid management charge payments by the scheduling coordinator on behalf of eligible market participants to the total of such amounts paid by all scheduling coordinators. The payment cannot be more than the amount of grid management charge paid by the scheduling coordinator on behalf of all eligible market participants that it represents. Subsequent to the disposition, the scheduling coordinator is

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<sup>3</sup> *Cal. Indep. Sys. Operator Corp.*, 157 FERC ¶ 61,220 (2016).

responsible for distributing the amounts to the eligible market participants in proportion to their share of the grid management charge paid by the scheduling coordinator on their behalf.

Section 37.9.4 requires the CAISO to “obtain FERC’s approval of its determination of eligible Market Participants and their respective shares of the trust account proceeds” before distributing the penalty proceeds. Through this filing, the CAISO hereby seeks approval to distribute the proceeds from penalties assessed in calendar year 2016.<sup>4</sup> In 2016, the CAISO assessed \$365,000 in penalties. Once the CAISO receives Commission approval to distribute the penalty proceeds, the CAISO will recalculate the total amount to pay out to reflect the accrued interest earned in the interest-bearing accounts that correspond to the actual day on which the distribution will occur. As noted in the CAISO’s prior penalty disposition filings, the CAISO used the applicable trading day of the settlement statement on which the CAISO invoiced the penalty to determine the calendar year in which it assessed the penalty.<sup>5</sup> The breakdown of penalties is as follows:

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<sup>4</sup> Historically, the CAISO has sought Commission approval of its proposed distribution of penalty proceeds by filing a petition pursuant to Rule 207. The Commission previously has approved such filings. *Cal. Indep. Sys. Operator Corp.*, Docket No. ER13-439-000 (February 19, 2013) (unpublished letter order); *Cal. Indep. Sys. Operator Corp.*, Docket No. ER12-77-000 (January 6, 2012) (unpublished letter order); *Cal. Indep. Sys. Operator Corp.*, Docket No. ER11-2086-000 (February 17, 2011) (unpublished letter order); *Cal. Indep. Sys. Operator Corp.*, Docket No. ER10-891-000 (Aug. 27, 2010) (unpublished letter order).

<sup>5</sup> See, e.g., Petition of the California Independent System Operator Corporation for Approval of Disposition of Proceeds of Penalty Assessments 2, FERC Docket No. ER08-1565-000 (Sept. 22, 2008).

**2016 Calendar Year Penalties**

Tariff Section	Number of Violations	Amount
<b>37.4 Comply with Availability Reporting Requirements</b>		
37.4.1 (Reporting Availability)	0	\$0.00
37.4.2 (Scheduling And Final Approval Of Outages)	0	\$0.00
37.4.3 (Explanation of Forced Outages)	0	\$0.00
<b>37.5 Provide Factually Accurate Information</b>		
37.5.2 (Inaccurate or Late Actual SQMD)		
Inaccurate ASQMD	6	\$224,000.00
Late ASQMD	4	\$24,000.00
<b>37.6 Provide Information Required By CAISO Tariff</b>		
37.6.1 (Required Information Generally)		
Late RA or Supply Plans	17	<u>\$117,000.00</u>
		<u><u>\$365,000.00</u></u>

As contemplated by section 37.9.4, the CAISO contacted each scheduling coordinator that was assessed a penalty during the 2016 calendar year to determine which market participants were served by that scheduling coordinator and the amount of grid management charge paid by each such market participant. Based on the information scheduling coordinators provided the CAISO in response to the inquiry, the CAISO calculated the allocation of penalty proceeds under the methodology set forth in section 37.9.4. The results of that calculation are included in Attachment A.<sup>6</sup>

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<sup>6</sup> The allocation for some scheduling coordinators is under \$10. Per section 11.29.7.2.1, Invoices and Payment Advices “for amounts less than \$10.00 will be adjusted to \$0.00 and no amount will be due to or from that Scheduling Coordinator . . . .” The Invoices/Payment Advices on which the CAISO will allocate the penalty proceeds are likely to have other debits and credits that bring the total amount of the Invoice/Payment Advice above \$10. If that is not the case and the total amount remains less than \$10, then that Scheduling Coordinator will not receive the funds identified in confidential Attachment 1.

## **B. Distribution of Interconnection Study Deposits**

The WDAT on file with the Commission for SCE in certain cases calls for funds from an “Interconnection Study Deposit not otherwise reimbursed to the Interconnection Customer or applied to costs incurred or irrevocably committed to be incurred for the Interconnection Studies [to be] remitted to the ISO and treated in accordance with ISO Tariff Section 37.9.4.”<sup>7</sup> SCE has provided funds to the CAISO for distribution under this provisions for 2016.<sup>8</sup>

Attachment B reflects the allocation of the total excess WDAT interconnection study funds provided to the CAISO by SCE for 2016. The funds total \$847,286.01 for 2016. The CAISO calculated the allocation based on the *pro rata* share of grid management charge payments made by scheduling coordinator without accounting for whether a scheduling coordinator was assessed a financial penalty under section 37 during the relevant calendar year. Although Section 37.9.4 contemplates that the penalty proceeds would be allocated to eligible market participants that were not assessed a financial penalty under section 37 of the CAISO tariff, consistent with previous

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<sup>7</sup> SCE WDAT, Clustering Large Generator Interconnection Procedures, section 3.4.1.2, ([SCE link](#)) (“Any proceeds of the Interconnection Study Deposit not otherwise reimbursed to the Interconnection Customer or applied to costs incurred or irrevocably committed to be incurred for the Interconnection Studies shall be remitted to the ISO and treated in accordance with ISO Tariff Section 37.9.4.”).

<sup>8</sup> Section 3.5.1.1 of Appendix Y of the CAISO tariff formerly mirrored these WDAT provisions, stating that “any funds received by the CAISO from a Participating TO, pursuant to a requirement in the Participating TO’s wholesale distribution tariff for funds to be distributed by the CAISO, shall be treated in accordance with CAISO Tariff Section 37.9.4.” The CAISO revised these tariff provisions, effective December 18, 2014, such that the CAISO now disburses non-refundable interconnection study deposits to the CAISO pursuant to Section 7.6 of Appendix DD. *California Independent System Operator Corp.*, 149 FERC ¶ 61,231 at P 9 *et seq.* (2014).

Commission-approved disbursements of such proceeds, it is not appropriate to apply the “eligible market participant” standard because the interconnection proceeds are in no way related to whether or not a market participant complied with the Rules of Conduct.<sup>9</sup> If the Commission approves the methodology proposed in Attachment B, the CAISO will distribute the excess WDAT interconnection study funds accordingly and the CAISO will recalculate the total distribution to reflect the accrued interest that corresponds to the actual day on which the distribution will occur.

## **II. CORRESPONDENCE AND MARKET NOTICE**

In accordance with the Commission’s Regulations,<sup>10</sup> the CAISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following, whose names should be placed on the official service list established by the Commission with respect to this filing:

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Because this matter may be of interest to all scheduling coordinators, the CAISO will issue a market notice of this filing.

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<sup>9</sup> 157 FERC ¶ 61,220.

<sup>10</sup> 18 C.F.R. § 385.203(b).

### III. CONCLUSION

Accordingly, the CAISO requests that the Commission approve the disposition of proceeds described in Attachments A and B and provide confidential treatment of Attachments A and B under 18 C.F.R. § 388.112.

Respectfully submitted,

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**Attachment A**

**[ATTACHMENT CONSISTS OF PRIVILEGED MATERIAL REDACTED  
PURSUANT TO 18 C.F.R. 388.112]**



**Attachment B**

**[ATTACHMENT CONSISTS OF PRIVILEGED MATERIAL REDACTED  
PURSUANT TO 18 C.F.R. 388.112]**