

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

**California Independent System            )       Docket Nos. ER06-615-\_\_\_\_  
Operator Corporation                    )                   ER02-1656-\_\_\_\_**

**MOTION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION FOR WAIVER OF OBLIGATION TO DISAGGREGATE  
DEFAULT LOAD AGGREGATION POINTS**

The California Independent System Operator Corporation (“ISO”)<sup>1</sup> respectfully submits this motion for permanent waiver of its obligation under the Commission’s September 2006 and July 2011 orders in this proceeding to disaggregate the existing default load aggregation points in the ISO balancing authority area.<sup>2</sup> Good cause exists for the Commission to relieve the ISO of this obligation. The ISO’s analysis of disaggregation of the default load aggregation points, conducted through an open stakeholder process, indicates that the costs of disaggregation likely would far outweigh the potential benefits for the foreseeable future. Stakeholders strongly support waiver of the obligation to disaggregate the existing default load aggregation points. As explained below, if changed circumstances warrant it, the ISO will initiate a new stakeholder process to consider disaggregation of the default load aggregation points.

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in appendix A to the ISO tariff.

<sup>2</sup> The ISO files this motion pursuant to Rules 212 and 2008(a) of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.2008(a).

## **I. Background**

### **A. Establishment of Default Load Aggregation Points in the ISO Markets**

In 2006, the ISO filed a proposed tariff to implement its new market design. Under the new market design, the ISO proposed to clear and settle the majority of demand in the ISO balancing authority area at three default load aggregation points, which then corresponded to the service territories of the three major California investor-owned utilities: Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company. Today the ISO has four default load aggregation points with the inclusion of the Valley Electric Association as a participating transmission owner. For each default load aggregation point, the ISO calculates a zonal locational marginal price based on the distribution of system load at the constituent pricing nodes within the applicable default load aggregation point; this price is determined by the effectiveness of the load within the default load aggregation point in relieving a transmission constraint.<sup>3</sup> A scheduling coordinator's load is settled at the applicable locational marginal price for the default load aggregation point.<sup>4</sup>

The ISO proposed to implement default load aggregation points as part of the initial release (also referred to as "release 1") of its new market design. The ISO explained that the settlement of load at these default load aggregation points

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<sup>3</sup> See ISO tariff section 27.2.2. Prior to the Commission's approval of modifications to that tariff section in a letter order issued April 3, 2013 in Docket No. ER13-957, the ISO's pricing for load aggregation points was based on a weighted average of the nodal prices within the default load aggregation point.

<sup>4</sup> See, e.g., ISO tariff section 11.2.1.2.

would protect consumers in load pockets from high nodal prices and ensure that most consumers pay an average zonal price for energy regardless of their location on the grid.<sup>5</sup>

This approach was also consistent with retail rate design in the ISO balancing authority area. The retail rate structure for most of California, as determined by the California Public Utilities Commission (“CPUC”), was and is an average rate across the three investor-owned utilities. Therefore, the retail rate does not reflect any locational price differences within the service territories of those utilities.

In its September 2006 order accepting the new ISO tariff, the Commission found that the ISO’s approach to calculating and settling energy charges for load based on the three initial default load aggregation points provided a reasonable and simplified approach for introducing locational marginal pricing while minimizing the impact on load.<sup>6</sup> The Commission also directed the ISO to increase the number of load aggregation points (a process sometimes called disaggregating the default load aggregation points or making them more granular) for release 2 of the new market design, which the ISO anticipated would be implemented within three years of the launch of the new market design. The Commission stated that increasing the number of load aggregation points

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<sup>5</sup> See *California Independent System Operator Corp.*, 116 FERC ¶ 61,274, at PP 595-96 (2006) (“September 2006 order”).

<sup>6</sup> *Id.* at P 611.

would “provide more accurate price signals and assist participants in the hedging of congestion charges.”<sup>7</sup>

**B. Stakeholder Process on Disaggregation of the Default Load Aggregation Points**

Consistent with the September 2006 order, in 2010 (the year after the new market design was implemented) the ISO initiated a stakeholder process to consider disaggregation of the three existing default load aggregation points.<sup>8</sup> After a technical study of pricing trends within the existing three default load aggregation points and extensive discussion in the stakeholder process, the ISO filed a motion in February 2011 for an extension of time until the fourth quarter of 2014 to disaggregate the default load aggregation points. The ISO explained in the motion that, based on its analysis of locational pricing trends during the first 16 months of the new market design and in anticipation of market enhancements likely to alter pricing trends, the ISO concluded that insufficient data existed to support disaggregating the default load aggregation points in 2012 (three years after the launch of the new markets). The ISO further explained that the stakeholder process had revealed a nearly unanimous consensus opposing disaggregation of the default load aggregation points based, in part, on the value of forging greater alignment between the respective designs of the retail rate market and the wholesale market.

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<sup>7</sup> *Id.*

<sup>8</sup> Materials related to the stakeholder process, called the Load Granularity Refinements initiative, are available on the ISO website at <http://www.caiso.com/informed/Pages/StakeholderProcesses/LoadGranularityRefinements.aspx>.

In an order issued in July 2011, the Commission granted the ISO's motion for an extension of time and directed the ISO to disaggregate the default load aggregation points by October 1, 2014.<sup>9</sup> The Commission accepted the ISO's commitment to begin an open stakeholder process to consider stakeholder input on the methodology for analyzing the market's pricing data and for default load aggregation point disaggregation design.

In 2013, the ISO resumed the initiative to analyze market pricing data and consider stakeholder input on the issue of load aggregation point disaggregation.

The initiative took into account the primary potential benefits of disaggregation:

- (1) More granular default load aggregation points can provide more accurate wholesale price signals to load, which can then provide incentives for increased demand response and investment in generation and transmission infrastructure where it is needed most.
- (2) More granular load bidding, scheduling, and settlement may enable improved congestion hedging by improving the availability of congestion revenue rights to be aligned with the exposure of load to congestion charges.
- (3) Moving away from averaging wholesale prices for load across large areas with heterogeneous nodal prices can reduce the subsidization of higher-price areas by lower-price areas.
- (4) Disaggregation of the default load aggregation points could result in more efficient day-ahead market outcomes by reducing the frequency of uneconomic adjustments as the market clearing mechanism is freed from the constraint of fixed load distribution factors over large geographical areas.<sup>10</sup>

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<sup>9</sup> *California Independent System Operator Corp.*, 136 FERC ¶ 61,055, at P 15 (2011) ("July 2011 order").

<sup>10</sup> Load Granularity Refinements – Draft Final Proposal at 4-5 (Sept. 18, 2013) ("Draft Final Proposal"), available on the ISO website page for the Load Granularity Refinements initiative: <https://www.caiso.com/informed/Pages/StakeholderProcesses/LoadGranularityRefinements.aspx>.

The first three categories of potential benefits can only be realized if significant price differences exist between different geographic areas. With regard to the fourth category, while this is a desirable benefit, any improvement from current market outcomes could only occur if today's market experienced frequent uneconomic adjustments. In the absence of frequent uneconomic adjustments, there can be no efficiency gains from further disaggregation.

The ISO and stakeholders examined whether disaggregation of the default load aggregation points would be likely to have these potential benefits. The stakeholder process also considered the anticipated costs that would result from disaggregating the default load aggregation points.

As part of the initiative, the ISO conducted a pricing study that examined prices at the default load aggregation points as compared with prices at sub-load aggregation points over the two-and-a-half-year period from January 2011 through June 2013.<sup>11</sup> The pricing study shows that, adjusting for factors such as on-peak and off-peak conditions and larger or smaller sub-load aggregation points, the price differences between the default load aggregation points and the sub-load aggregation points were relatively small (generally less than 5 percent, or an average of less than \$2.00 divergence between the default load aggregation point and sub-load aggregation point prices) during that period. The pricing study also addressed the fourth potential benefit described above. In the two years since virtual bidding had been implemented in the ISO, it did not

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<sup>11</sup> Sub-load aggregation points or "sub-LAPs" are a set of defined nodes within a default load aggregation point at which certain congestion revenue rights and proxy demand response resources are defined.

appear that bids had been used by market participants to make frequent uneconomic adjustments and, furthermore, overall bid-in demand in the day-ahead market cleared most of the time.<sup>12</sup>

The ISO issued a series of papers in the stakeholder process culminating in a Draft Final Proposal issued on September 18, 2013. The Draft Final Proposal explained that:

After initial analysis of prices, a careful examination of the issues and the results of the price study, and after discussing the issues with stakeholders and providing an opportunity for them to provide written comments, the ISO has determined that there are not sufficient net benefits or stakeholder support to move forward with the disaggregation of the existing [default load aggregation points].

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... The costs of changing the existing [load aggregation point] structure for both the ISO and the market participants appears to be large, especially in comparison to the potential benefits.<sup>13</sup>

Based on this analysis, the ISO proposed to request that the Commission relieve the obligation to disaggregate the default load aggregation points. The ISO also proposed to continue to monitor load aggregation point prices and California's retail rate structure. If in the future, either one of these two items change, and there appear to be increased benefits to disaggregating load aggregation points, the ISO will move forward with a new stakeholder process to consider more granular load aggregation points.<sup>14</sup>

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<sup>12</sup> Draft Final Proposal at 3-5, 12-15.

<sup>13</sup> *Id.* at 3.

<sup>14</sup> *Id.* at 4.

Stakeholders representing a broad range of electric industry interests provided comments throughout this initiative. All stakeholders either support or do not oppose the ISO's request for a waiver of the obligation to disaggregate the default load aggregation points.

## **II. Motion for Waiver**

For good cause shown, the Commission will grant a motion to waive the requirement to comply with a prior Commission directive. For example, in this proceeding in 2012, the ISO filed a motion for waiver of the directive in paragraph 244 of the September 2006 order that the ISO implement an interface between the ISO's outage reporting web-enabled interface, referred to as Scheduling and Logging for the ISO of California or "SLIC," and the ISO system that accepts and validates bids, referred to as Scheduling Infrastructure Business Rules or "SIBR." The ISO explained that the cost of a SLIC-to-SIBR interface would outweigh any benefits and that, based on experience after implementation of the ISO's new market, market participants agreed that such an interface was unnecessary. The Commission found that good cause existed to grant the ISO's motion for waiver.<sup>15</sup>

The Commission also found that good cause existed to grant waiver of a compliance requirement in a recent proceeding involving ISO New England Inc. ("ISO-NE"). The design of ISO-NE's forward capacity market incorporates locational pricing in which capacity zones are modeled to permit zonal price separation when binding constraints arise. The Commission granted ISO-NE's

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<sup>15</sup> *California Independent System Operator Corp.*, 139 FERC ¶ 61,206, at PP 23, 31 (2012).



motion for waiver of a directive to model eight capacity zones in the New England region instead of continuing to model the existing four capacity zones, based on evidence provided by ISO-NE and its commitment to engage its stakeholders in ongoing review of how the capacity zones and the associated zonal requirements are determined. The Commission granted ISO-NE's motion subject to that commitment and an obligation to develop an adequate process for determining the appropriate number and boundaries of capacity zones over time as conditions change.<sup>16</sup>

For similar reasons, the Commission should find that good cause exists to grant this motion for waiver of the requirement to disaggregate the existing default load aggregation points. As explained below, based on the ISO's analysis and input from stakeholders, disaggregating the default load aggregation points would have few potential benefits and those would be far outweighed by significant costs. All of the stakeholders that provided written comments on the ISO's Draft Final Proposal support or do not oppose the ISO's motion for waiver. The ISO will also continue to monitor load aggregation point prices and California's retail rate structure, and if either of those two items change such that it appears that disaggregating the default load aggregation points will have increased benefits, the ISO will initiate a new stakeholder process to consider disaggregation of load aggregation points and will make a filing with the Commission if the stakeholder process results in a decision to pursue disaggregation.

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<sup>16</sup> *ISO New England Inc.*, 143 FERC ¶ 61,198, at PP 29-35 (2013).

**A. For the Foreseeable Future, Any Benefits of Disaggregating the Default Load Aggregation Points Would Be Far Outweighed by the Costs of Doing So**

The ISO and stakeholders have identified four categories of potential benefits of disaggregating the default load aggregation points: (1) improved accuracy of price signals to load; (2) improved hedging of congestion charges; (3) reduction of cross-subsidization of prices in different areas; and (4) more efficient day-ahead market outcomes. None of these potential benefits would be realized to a significant degree if the ISO were to disaggregate the default load aggregation points. In many cases, market participants already can achieve substantially the same results through the use of existing tools or instruments. The potential benefits would be far outweighed by the costs to the ISO and market participants of modifying the existing default load aggregation point market structure to implement disaggregation.

**1. Accuracy of Price Signals to Load**

Generally, more granular default load aggregation points may provide localized price signals to load, and those price signals may in turn provide incentives for increased demand response and investment in generation and transmission infrastructure. The Commission stated in the September 2006 order that an expected benefit of more granular default load aggregation points was more accurate price signals.<sup>17</sup> However, under current market conditions the ISO expects that disaggregating the default load aggregation points would provide little if any improvement in the accuracy of price signals to load.

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<sup>17</sup> September 2006 order at P 611.

The simplified pricing study performed by the ISO examined prices at the default load aggregation points as compared with prices at sub-load aggregation points over the two-and-a-half-year period from January 2011 through June 2013. The pricing study showed that, adjusting for factors such as on-peak and off-peak conditions and larger or smaller sub-load aggregation points, the price differences between the default load aggregation points and the sub-load aggregation points were relatively small (generally less than a 5 percent, or an average of less than \$2.00 divergence between the default load aggregation point and sub-load aggregation point prices) during that period. Therefore, disaggregating the default load aggregation points would not be expected to significantly improve the accuracy of price signals or to result in significant incentives for increased demand response and investment.<sup>18</sup>

Even the minimal price signals that might result from disaggregating the default load aggregation points would be dampened by the current retail regulatory structure in California. The existing retail rate structure in the state is an average rate across each investor-owned utility service territory that does not reflect any locational price differences within those service territories (*i.e.*, within the existing default load aggregation points). If wholesale load were to be disaggregated on a nodal level, this rate structure would prevent the disaggregated wholesale prices from flowing through to the retail level. Thus, even with disaggregated wholesale prices, end-use customers would continue to be charged average retail rates. Any impact of disaggregating load at the

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<sup>18</sup> Draft Final Proposal at 3, 12-15.

wholesale level would therefore provide no incentives to the vast majority of electricity consumers in the region. Given that nodal prices in the ISO's day-ahead and real-time energy markets are already published and available, there is little if any additional pricing information to be gained from load disaggregation.<sup>19</sup>

In addition, disaggregating the default load aggregation points would not be expected to increase demand response. Demand response already has the ability to settle at more disaggregated levels pursuant to existing ISO programs. For example, proxy demand resources already have the ability to settle at custom load aggregation points ranging in size from a single node to a sub-load aggregation point. This existing market feature creates an incentive for demand response in the ISO markets to participate in higher-priced areas.

Disaggregating the default load aggregation points would not increase these incentives, though it could require changes pursuant to the existing proxy demand resource program if any sub-load aggregation points in use under that program were to be adjusted due to the disaggregation.<sup>20</sup>

## **2. Hedging of Congestion Charges**

The second potential benefit of disaggregation is that more granular load bidding, scheduling, and settlement may enable improved hedging of congestion charges by improving the ability of congestion revenue rights to be aligned with the exposure of load to congestion charges. This could improve the effectiveness of the hedges and may also allow for larger numbers of congestion

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<sup>19</sup> *Id.* at 3, 5, 8-9, 16.

<sup>20</sup> *Id.* at 16.

revenue rights to be established because the congestion revenue rights would be more narrowly targeted and have less overlap. The Commission stated in the September 2006 order that an expected benefit of more granular default load aggregation points was to assist participants in the hedging of congestion charges.<sup>21</sup> Based on the ISO's analysis of current market prices, however, the ISO expects that disaggregating the default load aggregation points would provide little if any improvement in hedging in the ISO markets.

Participants in the ISO markets already have the ability to use virtual bidding, in combination with the existing congestion revenue rights, to achieve the same impact as more focused congestion revenue rights based on increased load granularity. Load-serving entities already can use virtual bids to hedge against persistent differences between actual load and the load distribution factors employed in the ISO markets to distribute load across the various nodes. Combining that hedging strategy with the use of congestion revenue rights may also give load-serving entities the ability to achieve at least some of the improved hedging performance of congestion revenue rights with more disaggregated load.<sup>22</sup>

Moving to more granular load aggregation points also would lead to a number of issues with the current congestion revenue rights process. Many load-serving entities hold long-term congestion revenue rights that sink at a default load aggregation point, which would no longer align accurately with load

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<sup>21</sup> September 2006 order at P 611.

<sup>22</sup> Draft Final Proposal at 17.

settlement once increased granularity took effect. There would need to be a conversion of existing congestion revenue rights to accommodate load aggregation point disaggregation. Additionally, congestion revenue right nominations for a load-serving entity in tier 1 of the annual allocation process are restricted to those congestion revenue right source-sink combinations that were allocated to the load-serving entity in the previous annual allocation.<sup>23</sup> Without some modification to this rule, load-serving entities would be required to nominate default load aggregation points in the priority nomination process for the initial congestion revenue right seasons when load settlement would be based on the new load zones.

### **3. Cross-Subsidization of Prices in Different Areas**

The third potential benefit of disaggregating the default load aggregation points is that moving away from average wholesale prices across large areas can reduce the subsidization of higher-price areas by lower-price areas. In theory, reducing this cross-subsidization could provide increased incentives for load to locate in lower-price areas and for load in higher-price areas to undertake actions to reduce the price of power in those areas (*e.g.*, by increasing transmission capacity in the higher-price areas to remove congestion or to increase supply in constrained areas). Those actions would improve the efficiency of the electric grid and reduce overall costs.

But these benefits cannot be realized in California without changes to the state's retail rate structure. Unless that occurs, reducing the granularity of the

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<sup>23</sup> ISO tariff section 36.8.3.5.

wholesale load prices will have a minimal impact on the vast majority of end-use customers, because their retail rates will remain averaged across the existing default load aggregation points. There may be some impact on the investor-owned utilities due to the additional visibility of wholesale price variability that would accompany disaggregation, but the investor-owned utilities are already aware of the price differences due to the nodal prices that are published by the ISO. Further, large customers that can provide demand response as proxy demand resources can already create custom load aggregation points, and can achieve more granular pricing than would likely result from increasing the number of default load aggregation points.<sup>24</sup>

#### **4. Day-Ahead Market Outcomes**

The fourth and final potential benefit of disaggregating the default load aggregation points is that it could result in more efficient day-ahead market outcomes by reducing the frequency of uneconomic adjustments as the market clearing mechanism is freed from the constraint of fixed load distribution factors over large geographical areas. Currently, the load distribution factors are based on historical information for the three large default load aggregation points and are dynamically adjusted on an hourly basis. These load distribution factors are used to distribute forecast load down to the nodal level so that demand can clear against supply bids at the node.

The market software solution is then rolled back up to the load aggregation point level. In order for that rolled-up solution to be feasible (that is,

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<sup>24</sup> Draft Final Proposal at 17.

on the original load aggregation point level demand bid curve), when the market software solves at the nodal level, it must constrain all nodal load to move up and down together in proportion to the load distribution factors. In other words, nodal load moves up and down in lockstep until, given that constraint, all the load and generation at each node clears. At times this may put a significant constraint on the optimization.

If the large default load aggregation points are disaggregated, the same methodology would enforce the constraint over smaller geographic areas that can move independently. This may allow the integrated forward market optimization to reach a more precise solution within each individual load zone.

In order for this benefit to materialize, however, the load forecasts would have to be more accurate than the existing overall load forecast and load distribution factors currently used by the ISO. As explained above, accurate load forecasting at more localized levels is inherently more difficult to do than at more aggregated levels. Relaxing the existing constraints that all load at an existing load aggregation point must move up or down together can lead to improved optimizations, but if the unconstrained load forecasts are no more accurate than the existing forecasts, there will be no gain in efficiency.<sup>25</sup>

In addition, to the extent market participants can determine how load distribution factors are affecting the actual load estimates, they already have the ability to use virtual bids to attempt to capture some of these price differences. This may have impacts similar to the impacts of improving the granularity of the

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<sup>25</sup> *Id.*



load forecasts for the efficiency of the day-ahead market.<sup>26</sup> As such, disaggregation of default load aggregation points is not needed to capture this benefit.

### **5. Costs Resulting from Disaggregating the Default Load Aggregation Points**

Currently, load metering, bidding, and settlement, as well as some market rules, are based on the existing default load aggregation points.<sup>27</sup>

Disaggregating these load aggregation points would cause significant costs for the ISO and market participants with regard to those market features. These costs ultimately would be passed on to electricity consumers in the region.

Stakeholders indicated that they would face significant implementation hurdles associated with disaggregation of the default load aggregation points. These hurdles include the need for load-serving entities to develop load profiles for different geographic areas. For those load-serving entities subject to CPUC jurisdiction, the new load profiles would have to be approved through CPUC proceedings.

Load-serving entities also expressed considerable concern about accurately forecasting load for smaller geographies following disaggregation of the default load aggregation points. In order to achieve significant efficiency gains in the market solutions, load would need to be forecast at a more granular level to match the more granular pricing. Load forecasts are now submitted on

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<sup>26</sup> *Id.* at 18.

<sup>27</sup> *Id.* at 5.

an aggregated basis and various load distribution factors are used to distribute this load. Load-serving entities may need to modify their load forecasting systems to produce more granular load forecasts, and the ISO and market participants may need to incur costs to modify their systems in order to allow market participants to submit the more granular load forecasts.<sup>28</sup>

The ISO and market participants would also need to modify their settlements systems to accommodate the increased number of prices for load and would need to perform market simulations to ensure that the settlements systems interacted with each other correctly. Market participants likely would also incur additional costs to ensure that the more granular load prices could be flowed through to retail customers so that those benefits, which would depend on locational adjustments to load to respond to the more granular prices, could be realized.<sup>29</sup>

Moreover, disaggregating the default load aggregation points in tandem with a number of high-priority modifications to the ISO markets that will or may be implemented over the next few years would cause additional costs and burdens on market participants. These market modifications include:

- Enhancing the ISO market design to include 15-minute scheduling and settlements (*i.e.*, the fifteen-minute market) consistent with the Commission's Order No. 764;
- Reinstating virtual bidding on the interties one year after the implementation of the fifteen-minute market;

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<sup>28</sup> *Id.* at 6, 18.

<sup>29</sup> *Id.* at 18.

- Instituting a real-time energy imbalance market to allow balancing authorities throughout the western United States to voluntarily participate in that market to be operated by the ISO;
- Expanding the full network model to better model the rest of the Western Interconnection;
- Developing a flexible resource adequacy product;
- Enhancing contingency modeling;
- Working with the CPUC to develop the details required to implement the recently announced joint reliability framework;
- Implementing other market modifications that are under development in stakeholder initiatives; and
- Implementing other market modifications that may be developed in stakeholder initiatives established pursuant to items set forth in the ISO's stakeholder initiatives catalog.<sup>30</sup>

Load disaggregation may increase the complexity of these market enhancements and thus make their implementation more difficult, time-consuming, and costly for the ISO and market participants. Making all of these changes concurrently may increase the potential for issues or problems to arise during their simultaneous implementation.<sup>31</sup>

In addition, these market enhancements could even further reduce the minimal anticipated benefits of disaggregating the default load aggregation points. Instituting the real-time energy imbalance to include additional market participants through the energy imbalance market, expanding the full network model to better model the rest of the Western Interconnection, and making changes to ancillary services such as developing a flexible ramping product or

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<sup>30</sup> *Id.* at 19.

<sup>31</sup> *Id.* at 19-20.

enhancing contingency modeling may impact locational marginal prices and their potential dispersion, which could reduce the potential benefits of disaggregating the default load aggregation points.

In sum, the costs of disaggregating the default load aggregation points would far outweigh the potential benefits of doing so.

**B. Stakeholders Strongly Support the ISO’s Proposal to Maintain the Existing Default Load Aggregation Points**

Nine stakeholders, representing a broad range of electric industry interests, provided written comments on the Draft Final Proposal. All nine stakeholders expressed support for or did not oppose the ISO’s proposal to maintain the three existing default load aggregation points (*i.e.*, not disaggregate them) at this time.<sup>32</sup>

The general consensus of the participants in the stakeholder process was that the existing retail structure in California would prevent many potential benefits of disaggregating load aggregation points from being realized. Stakeholders also expressed concern that the costs to implement the changes required to disaggregate the default load aggregation points could potentially be large. Moreover, given the large number of changes already contemplated or scheduled for the ISO markets over the next several years, stakeholders agreed with the ISO that increasing the number of default load aggregation points should

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<sup>32</sup> The following stakeholders provided written comments on the Draft Final Proposal: the Alliance for Retail Energy Markets; Bay Area Municipal Transmission Group; California Department of Water Resources State Water Project; California Large Energy Consumers Association, California Manufacturers and Technology Association, Energy Users Forum, and Energy Producers and Users Coalition; Northern California Power Agency; NRG Energy, Inc.; PG&E; SCE; and San Francisco Public Utilities Commission. Some of the stakeholders also offered comments on specific elements of the Draft Final Proposal.

not be a priority for the ISO at this time. Stakeholders acknowledged that this could change in the future, but most stakeholders did not foresee the retail regulatory structure in California changing any time soon, so the ability to realize potential benefits from disaggregation of the default load aggregation points would be limited.<sup>33</sup>

One stakeholder recommended that the ISO include congestion revenue right performance values in its filing with the Commission and make adjustments to its pricing study. The ISO believes such additional measures are unnecessary. The ISO asked stakeholders to comment on anticipated benefits from (1) improved hedging from more focused congestion revenue rights and (2) an increase in congestion revenue right allocation. Most stakeholders indicated that they anticipated no benefits or that any benefits would likely be offset by costs of such changes. In addition, a majority of stakeholders stated that a more detailed analysis of price dispersion was not warranted at this time and that the methodology of the ISO's pricing study is sufficient to make a determination on whether to proceed with load disaggregation. For the reasons explained above, the pricing study and other information provided in the Draft Final Proposal are sufficient to show that good cause exists for granting waiver of the requirement to disaggregate the default load aggregation points.

Another stakeholder that supports the ISO's request for waiver suggests that the ISO should describe more specifically what changes in conditions would result in the ISO revisiting the subject of disaggregation of the default load

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<sup>33</sup> Draft Final Proposal at 4.

aggregation points. The circumstances in which the ISO would revisit the subject are described below. The ISO believes it would be premature to define specific thresholds or triggers for revisiting the possibility of disaggregation. Of course, if any stakeholder believes that changed conditions warrant it, the stakeholder can request that the ISO initiate a new stakeholder process to discuss disaggregation.

**C. The ISO Will Monitor for Changed Conditions and Will Resume Discussions on Disaggregation with Stakeholders if the Conditions Warrant Doing So**

The ISO commits that, if changed conditions warrant, discussions with stakeholders on disaggregation of the default load aggregation points will resume. As explained in the Draft Final Proposal, the ISO will continue to monitor load aggregation point prices and California's retail rate structure. If either the load aggregation point prices or the retail rate structure change significantly in the future, and as a result increased benefits to disaggregating the default load aggregation points appear likely, the ISO will study the benefits of disaggregating default load aggregation points under the changed circumstances. If the resulting stakeholder process results in a decision to pursue disaggregation, the ISO will make the appropriate filings with the Commission.

### III. Conclusion

For the foregoing reasons, the Commission should find that good cause exists to waive the requirement under the September 2006 and July 2011 orders to disaggregate the default load aggregation points in the ISO balancing authority area.

Respectfully submitted,

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Counsel for the California Independent System Operator Corporation

Dated: February 7, 2014

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in 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 Washington, D.C. this 7<sup>th</sup> day of February, 2014.

/s/ Bradley R. Miliauskas  
Bradley R. Miliauskas