UNITED STATES OF AMERICA BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION

California Independent System) [Docket No. ER18-1-0	000
Operator Corporation)		

MOTION FOR LEAVE TO FILE ANSWER AND ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

The California Independent System Operator Corporation (CAISO) moves for leave to answer, and submits its answer, to the November 27, 2017, filing submitted by San Diego Gas & Electric Company (SDG&E) in the above-referenced docket.¹

SDG&E's November 27 filing argues that the "Listed Local" element of the CAISO's proposal in this docket reflects the "CAISO's apparent indifference or lack of understanding of the possible consequences of its proposal."² The practical impacts SDG&E claims the CAISO has not considered are:

- 1. Load serving entities and suppliers will need to alter their existing capacity contracts to account for the proposed rule changes.
- 2. System capacity prices will be depressed because it will be easier for local capacity to be sold as system capacity and will increase the likelihood of the CAISO exercising its backstop procurement authority.
- 3. Backstop capacity payments the CAISO makes to suppliers of capacity that is under a capacity contract with a load serving entity but is not shown on a resource adequacy plan ultimately will flow to the load serving entity holding that resource under contract.

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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 make this answer. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in this proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this 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).

² SDG&E answer, at 2.

4. Load serving entities will not be able to resell between each other the local attribute of a local resource procured initially as system capacity which will lead to the CAISO's increased used of its exceptional dispatch backstop procurement authority.

SDG&E identifies no way in which the CAISO is incurious, indifferent, or oblivious to the likely impacts of its proposal. The CAISO already has addressed and acknowledged in this proceeding the issues SDG&E raises in its November 27 filing.

The CAISO's initial filing in this docket addressed the concern that its proposal may affect existing bilateral capacity contracts.³ The CAISO explained that any existing "bundling" of system and local capacity does not require rejection of the CAISO proposal because resource adequacy (RA) showings can reflect existing contract terms and that a similar issue would have been present when the CAISO transitioned to its RA flexible capacity requirements, yet no systemic problems arose. Regarding a different element of the CAISO proposal, the CAISO also addressed in its initial filing the relationship between regulatory changes and existing contracts.⁴ The CAISO pointed out that changes to the regulatory framework are a known possibility when contracting in a regulated industry and that parties acknowledge the possibility of regulatory change in those contracts. The same factors apply to the CAISO's listed local proposal.

SDG&E's concerns about the possible impact of the CAISO proposal on system capacity prices ignores the motivating factor behind the proposal. The CAISO has explained at length this proposal aims to rectify an existing inequity in its market rules.⁵

September 29 filing, at 31-32.

⁴ *Id.* at 13-14.

⁵ Id. at 25-26; November 13 answer, at 9-13.

The CAISO also explained in its initial filing that its proposal "will add beneficial transparency . . . to the RA procurement process by lowering artificial barriers for a local resource to transact" outside its local area. To the extent the CAISO proposal impacts system capacity prices, that impact would be a consequence of addressing existing inequities and increasing market transparency. Additionally, SDG&E has provided no foundation for its claim that any possible price impacts on system capacity would influence the CAISO's use of its backstop capacity procurement authority and draws no logical or causal connection between these topics.

SDG&E's statements about how payments made to units procured as backstop capacity flow from its unsubstantiated fear that a load serving entity outside of a local area will procure local resources and then not show them on a resource adequacy plan to restrict the pool of remaining local resources for load serving entities that hold a local requirement in that area. SDG&E views the out-of-area utility as having an incentive to do this because the presence of contracted-but-not shown capacity may trigger CAISO backstop procurement. The funds paid to procure that backstop capacity, in SDG&E's view, ultimately would flow to the out-of-area load serving entity at the expense of the load serving entities within the local area. The CAISO's November 13 answer explained why this hypothesized exercise of market power is unfounded, regardless of how backstop procurement revenues might be shared between a supplier and load serving entity.⁷

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September 29 filing, at 31.

November 13 answer, at 17-19.

Finally, SDG&E suggests that the CAISO has not addressed the possibility that its proposal would lead to increased use of its exceptional dispatch backstop capacity procurement authority. This suggestion is not accurate. The CAISO addressed this point directly in its initial filing and its November 13 Answer.⁸ The CAISO has nothing further to offer on this topic.

The CAISO respectfully requests that the Commission accept this answer to SDG&E's November 27 filing and reaffirms its request that the Commission issue an order by December 15, 2017, accepting the tariff changes proposed in this docket to be effective February 15, 2018.

Respectfully submitted,

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Dated: November 30, 2017

September 29 filing, 32-33; November 13 answer, at 20-22.

4

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 30th day of November 2017.

<u>Isl Anna Pascuyyo</u> Anna Pascuzzo