

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

California Independent System)
Operator Corporation) Docket No. ER14-1386-000
)

**MOTION AND ANSWER TO COMMENTS AND PROTESTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“ISO”) respectfully submits this motion for leave to answer and limited answer¹ to the Imperial Irrigation District’s request for rehearing of the Commission’s “Order Conditionally Accepting Proposed Tariff Revisions to Implement Energy Imbalance Market,” issued in the captioned proceeding on June 19, 2014.² Neither Imperial Irrigation District nor any of the other parties seeking rehearing presents new arguments that should cause the Commission to revisit its decisions. The CAISO therefore does not seek to respond to the arguments presented. The CAISO seeks only to clarify one issue. Among other things, Imperial Irrigation District expresses concerns that the Commission’s approval of the proposed transmission charge reciprocity in the Energy Imbalance Market will cause Imperial Irrigation District to suffer revenue losses. As explained in this answer, there is no basis for that concern.

¹ The ISO submits this motion and answer pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213 (2013).

² *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231 (2014) (“June 19 Order”).

I. BACKGROUND

On February 28, 2014, the CAISO filed an amendment to its tariff to provide other balancing authority areas the opportunity to participate in the real-time market for imbalance energy that the CAISO currently operates in its own balancing authority area. The amendment set forth the rules and procedures governing this expansion of the real-time market. Under the amendment, this set of rules and procedures is known as the Energy Imbalance Market or "EIM". The CAISO requested a July 1, 2014, effective date for various proposed *pro forma* service agreements to be executed by EIM Market Participants, and requested a September 23, 2014, effective date for the balance of the proposed tariff revisions.

In the June 19 Order, the Commission accepted the February 28 Tariff Filing, effective as of the July 1 and September 23, 2014, dates requested by the CAISO, subject to a compliance filing containing the tariff changes discussed in Section II below.³ The CAISO made its compliance filing on July 21, 2014.

Also on July 21, 2014, Imperial Irrigation District and four other parties filed requests for rehearing or clarification.

II. MOTION FOR LEAVE TO ANSWER PROTESTS

The ISO respectfully requests authorization to respond to the protests filed in this proceeding. Notwithstanding Rule 213(a)(2),⁴ the Commission has accepted answers to protests that assist the Commission's understanding and resolution of the issues

³ See June 19 Order at Ordering Paragraphs (A)-(D).

⁴ 18 C.F.R. § 385.213(a)(2) (2013).

raised in the protest,⁵ clarify matters under consideration,⁶ or materially aid the Commission's disposition of a matter.⁷ Imperial Irrigation District on rehearing raises a concern for which there is not factual support. The ISO's answer will therefore clarify matters under consideration, aid the Commission's understanding and resolution of the issues, and help the Commission to achieve a more accurate and complete record.⁸ Accordingly, the Commission should accept this Answer.

III. ANSWER

Imperial Irrigation District states that its concerns derive from its position as a neighboring transmission system owner and the approved project sponsor that will soon become a participating transmission owner in the CAISO. Imperial Irrigation District alleges that it may suffer revenue losses from the Commission decision to approve the CAISO's proposed exemption of EIM transfers from the CAISO's wheeling access charge. Imperial Irrigation District bases this claim on an assertion that if its transmission facilities in the CAISO balancing authority area are used to support the EIM export transactions and less revenue is collected from EIM participants, the CAISO will pay less to Imperial Irrigation District.⁹

Imperial Irrigation District misunderstands the distribution of transmission revenues to participating transmission owners. Under Appendix F of the CAISO Tariff, the CAISO calculates the transmission access charge so as to recover a participating

⁵ *Southwest Power Pool, Inc.*, 89 FERC ¶ 61,284 at 61,888 (1999).

⁶ *Tennessee Gas Pipeline Co.*, 82 FERC ¶ 61,045 at 61,186 n.5 (1998).

⁷ *El Paso Natural Gas Co.*, 82 FERC ¶ 61,052 at 61,200 (1998).

⁸ *N. Border Pipeline Co.*, 81 FERC ¶ 61,402 at 62,845 n.16 (1997); *Hopkinton LNG Corp.*, 81 FERC ¶ 61,291 at 62,382 n.4 (1997).

⁹ Rehearing Request at 15.

transmission owner's entire transmission review requirement, which includes a reduction for the transmission revenue balancing account, regardless of wheeling revenues. Under Appendix F, schedule 3, section 10, the CAISO calculates the distribution of regional transmission charges revenues to non-load-serving participating transmission owners based on the ratio of the non-load-serving participating transmission owners regional transmission revenue requirement to the sum of all participating transmission owners' regional transmission revenue requirements. Under section 14, regional wheeling access revenues are similarly distributed. The wheeling payments are transmission revenue credits and the participating transmission owners record them in the transmission revenue balancing account. The transmission revenue balancing account will serve to reduce the next transmission revenue requirement. Thus, to the extent that a participating transmission owner receives a lower payment for wheeling, it will have a smaller reduction in transmission revenue requirement and will recover the amount through increased access charge rates. There is no shortfall in the transmission revenue recovered by the CAISO.

As a simplistic example, consider that in year 1, Imperial Irrigation District has an annual transmission revenue requirement of \$1 million and no transmission revenue balancing account because it is a new participating transmission owner. Its composite transmission revenue requirement would thus be \$1 million (\$1 million revenue requirement¹⁰ – \$0 transmission revenue balancing account). During year 1, it should receive \$1 million in transmission access revenues¹¹ plus an amount of wheeling

¹⁰ The example also disregards depreciation.

¹¹ The example assumes that actual load matches forecast load.

revenues, posit \$75,000.¹² For year two, Imperial Irrigation District will have a composite revenue requirement of \$925,000 (\$1 million revenue requirement¹³ – \$75,000 transmission revenue balancing account).¹⁴ This will reduce the transmission access charge and for year two, Imperial Irrigation District will receive \$925,000 in access charge revenues, essentially paying back the excess \$75,000 it received in year one, plus wheeling revenues. Also assume that in year 2, the EIM causes a reduction in wheeling revenues due to reciprocal transmission rates, so that Imperial Irrigation District receives only \$50,000 in wheeling revenues. The Imperial Irrigation District's composite revenue requirement for year 3 will be \$950,000 (\$1 million revenue requirement – \$50,000 transmission revenue balancing account). The CAISO will increase the access charge accordingly,¹⁵ and in year 3, Imperial Irrigation District will receive \$950,000 (making up for the \$25,000 reduction in wheeling revenues) plus wheeling revenues. In other words, over the course of two years a participating transmission owner will always recover its full transmission revenue requirement, regarding of decreases in wheeling revenues. The same process applies generally to local access and wheeling access revenues. Imperial Irrigation District's concerns about lost revenues are thus unfounded.

¹² In its answer to protests, the CAISO noted that wheeling access charges amount to approximately 7.5% of total access charge revenues.

¹³ The example also disregards depreciation.

¹⁴ The example assumes Imperial Irrigation District has a formula rate transmission revenue requirement, with an annual true-up. The balancing mechanism would be the same, however, regardless of the time between transmission revenue requirement revisions.

¹⁵ This, of course, increases the costs to the native load of load-serving participating transmission owners. As explained in the CAISO's answer to protests of the Energy Imbalance Market filing, this is an appropriate trade-off for the benefits of the Energy Imbalance Market.

IV. CONCLUSION

For the reasons discussed above, the Commission should reject Imperial Irrigation District's contention that it faces potential revenue losses.

Respectfully submitted,

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Dated: August 8, 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 Folsom, CA, this 8th day of August, 2014.

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