

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

California Independent System Operator Corporation)		Docket Nos. ER14-480-000 ER15-1451-000
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**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR TO
SUPPLEMENTAL COMMENT AND PROTEST ON THE APRIL 3 WAIVER REQUEST
AND DECEMBER 31 INFORMATIONAL REPORT**

The California Independent System Operator Corporation (CAISO) respectfully submits this answer to supplemental comments and protests submitted on May 20, 2015, by parties in the above-noted dockets.¹

The interveners opposing the CAISO's request for a waiver fail to raise valid challenges to the Supplemental DMM Report the CAISO filed on April 3, 2015, and instead repeat the arguments from their comments on the CAISO's waiver petition that the Commission granted on April 29, 2015. Therefore, the Commission should maintain the waiver and instruct the CAISO to conduct a stakeholder process to address any potential market design enhancements that will eliminate factors that cause congestion prices to diverge between the hour-ahead process and the fifteen-minute market. At the end of that stakeholder process, the CAISO will submit a tariff amendment pursuant to Section 205 of the Federal Power Act. All interested parties will have the opportunity to participate in such stakeholder process and will receive due process under the

¹ The CAISO files this answer pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §385.213 (2014). To the extent that this answer is deemed to be an answer to a protest or an otherwise impermissible answer, the CAISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2). 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, at P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010); *Xcel Energy Serv., Inc.*, 124 FERC ¶ 61,011, at P 20 (2008).

Commission's regulations governing the CAISO's anticipated tariff filing. At that time, the CAISO also will propose any new rules regarding intertie virtual bidding that may be necessary to address the issues identified in the Supplemental DMM Report and any other issue raised through the stakeholder process.

The Commission need not grant renewed requests for a technical conference in this matter. The CAISO stakeholder process is sufficiently robust to address the issues in its markets and the process proposed by the CAISO will provide a better opportunity to vet the issues more thoroughly. If the Commission so orders, the CAISO also agrees to submit informational reports every six months to inform the Commission of the status of its stakeholder process until the process is complete.

I. Background

On April 3, 2015, the CAISO requested a waiver for up to a 12-month period, effective May 1, 2015, of CAISO tariff provisions that otherwise would require the CAISO to reinstate convergence bidding at the interties on May 1, 2015. The Commission set a ten-day comment period and multiple parties provided responsive filings. The CAISO filed a response to the comments and protest on April 20. Subsequently, in an April 29 order, the Commission granted the CAISO a waiver for an indefinite period pending further Commission action.² In the April 29 order the Commission also provided parties a new 21-day comment period, finding that "it would benefit the Commission and the parties to further develop the record to address issues related to CAISO's waiver request."³

² *Cal. Indep. Sys. Operator Corp.*, 151 FERC ¶ 61,074, (2015) (April 29 order).

³ April 29 order at P 27.

On May 20, five parties utilized the expanded comment period to submit supplemental filings.⁴ These filings largely reiterate the comments provided on the CAISO's waiver filing. This is particularly so with Powerex and WPTF, the only two parties that expressed any concern over the CAISO's April 3 waiver request. In its May 20 filing Powerex renews its effort to shoehorn its broad CAISO market design demands into the narrow scope of this limited waiver petition and states its view "that a CAISO-led process is highly unlikely to lead to a comprehensive, long-term structural solution that permits the reinstatement of intertie convergence bidding."⁵ Similarly, WPTF repeats its unsubstantiated claims that the Supplemental DMM Report is based on flawed assumptions and states its concern that "absent Commission oversight and a focus on a deep and comprehensive look at factors within the CAISO's control, fundamental liquidity issues will not get addressed."⁶

II. Answer

Given the absence of any new pertinent information since the Commission initially granted the CAISO a waiver, the Commission should maintain the indefinite waiver it granted in the April 29 order while the CAISO proceeds with the intertie virtual bidding stakeholder process. The stakeholder process, which will begin this summer, will consider "what level of liquidity is sufficient, from a market efficiency perspective, to reinstitute intertie virtual bidding"⁷ and whether intertie-specific liquidity triggers are

⁴ Pacific Gas and Electric Company (PG&E); San Diego Gas and Electric Company (SDG&E); the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities); Powerex Corp.; and the Western Power Trading Forum (WPTF).

⁵ Powerex supplemental comments, at 4.

⁶ WPTF supplemental comments, at 4.

⁷ CAISO April 28 waiver request, at 3.

feasible. This stakeholder process also will consider the need to reconcile real-time pricing issues that come from congestion differences identified in clearing the HASP and clearing of the rest of processes in the real-time market. Neither Powerex nor WPTF have provided any basis to substantiate the notion that a CAISO stakeholder process will be insufficient to address such CAISO market design issues. Indeed, consideration of such issues is at the core of what CAISO stakeholder processes are meant to explore. As with any other stakeholder process leading to a tariff filing, the Commission ultimately will have the ability to judge the results of that process and any parties that disagree with the direction of the stakeholder process or its results will have a full opportunity to register that disagreement with the Commission at the time the CAISO presents its filing.

In its comments, Six Cities advocates that the Commission consider all potentially relevant structural differences between the day-ahead and real-time markets, rather than the subset of factors the CAISO analysis identified. To the extent such structural differences relate specifically to intertie virtual bidding and fifteen-minute market liquidity at the interties, the CAISO could consider these other factors in the stakeholder process. Following the suggestion offered by PG&E and SDG&E in their respective comments, the CAISO is amenable, if so ordered by the Commission, to filing in these dockets a status report on the stakeholder process by December 31, 2015, and every six months thereafter until the stakeholder process is complete.

In its April 20 reply comments the CAISO requested that the Commission convene a technical conference focusing on the lack of fifteen-minute scheduling in other WECC balancing authority areas. Such a limited technical conference could

prove beneficial but the CAISO does not see it as a prerequisite for moving forward with its proposed stakeholder process. With the consideration of intertie-specific liquidity triggers the CAISO's path forward would be less dependent on understanding what external factors have limited fifteen-minute scheduling outside the CAISO footprint.

III. Conclusion

For the foregoing reasons, the CAISO respectfully requests that the Commission maintain the indefinite waiver granted in the April 29 order until the CAISO has completed the intertie virtual bidding stakeholder process described above and the CAISO presents to the Commission any appropriate tariff filings that are a consequence of that stakeholder process.

Respectfully submitted,

Michael Kunselman
Bradley R. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
T – 202-239-3300
F – 202-239-3333
michael.kunselman@alston.com

By: /s/ David S. Zlotlow
Roger E. Collanton
General Counsel
Anna A. McKenna
Assistant General Counsel
David S. Zlotlow
Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom California
T – 916-608-7007
F – 916-608-7222
dzlotlow@caiso.com

Counsel for the California Independent System Operator Corporation

Dated: June 4, 2015

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 4th day of June 2015.

/s/ Anna Pascuzzo

Anna Pascuzzo