

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

**California Independent System) Docket No. ER14-1647-000
Operator Corporation)**

**MOTION TO FILE ANSWER AND ANSWER OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION TO PROTEST**

The California Independent System Operator Corporation (“CAISO”)¹ requests leave to file an answer and files this answer to the protest submitted by Pacific Gas and Electric Company (“PG&E”) in the captioned proceeding on April 22, 2014.² PG&E argues that the CAISO has not provided sufficient information to permit the Commission to accept as just and reasonable the non-conforming Net Scheduled Participating Generator Agreement (“Elk Hills NS-PGA”) between the CAISO and Elk Hills Power, LLC (“Elk Hills”) that the CAISO submitted in this proceeding on April 1, 2014 (“April 1 filing”). PG&E’s questions, which the CAISO addresses below, all relate to a lack of understanding of the very simple modification reflected in the non-conforming agreement – the provision of gross telemetry – which the CAISO would have under the *pro forma* standard

¹ Capitalized terms not otherwise defined herein have the meanings set forth in appendix A to the CAISO tariff. Except where otherwise specified, references to section numbers are references to sections of the CAISO tariff.

² 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) to permit it to make an answer to PG&E’s protest. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceedings, 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., *Midcontinent Independent System Operator, Inc.*, 145 FERC ¶ 61,301, at P 20 (2013); *Southern Natural Gas Company, L.L.C.*, 141 FERC ¶ 61,098, at P 7 (2012); *Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011).

Participating Generator Agreement, but not under the *pro forma* Net Scheduled Participating Generator Agreement. This allows for more dynamic information concerning on-site load compared with the static treatment of load under the *pro forma* Net Scheduled Participating Generator Agreement. Contrary to PG&E's claims, the CAISO has demonstrated that the Elk Hills NS-PGA is just and reasonable and the Commission should accept the Elk Hills NS-PGA as filed.

I. Background

The CAISO tariff includes two types of conforming (*i.e.*, *pro forma*) agreements that set forth the terms under which generating resources agree to participate in the CAISO markets. One of these is the *pro forma* Participating Generator Agreement, which provides for gross telemetry and metering.³ The other is the *pro forma* Net Scheduled Participating Generator Agreement, which provides for net telemetry, net metering, and net settlement.⁴

The Elk Hills NS-PGA essentially applies the gross telemetry feature of the *pro forma* Participating Generator Agreement while maintaining the net settlement feature of the *pro forma* Net Scheduled Participating Generator Agreement. As explained in the April 1 filing, the CAISO and Elk Hills agreed on this approach due to the unusual nature of the Elk Hills resource. Unlike most legacy qualifying facilities,⁵ the Elk Hills resource is a combined cycle facility with

³ See tariff appendix B.2.

⁴ See tariff appendix B.3.

⁵ These are qualifying facilities subject to a Qualifying Facilities Participating Generator Agreement, the predecessor to the current Net Scheduled Participating Generator Agreement.

a relatively large amount of capacity available to participate in the CAISO markets. This makes it difficult to model on a net basis. The CAISO and Elk Hills determined that structuring the Elk Hills NS-PGA to provide for gross telemetry will allow the CAISO to more accurately model the Elk Hills resource while allowing the resource to fully participate in the CAISO markets.⁶ It will also allow for net settlement.

II. Answer

A. The Elk Hills NS-PGA is Just and Reasonable

PG&E argues that, while “[i]t may be that the [ISO’s] proposal makes sense,” the Commission should reject the April 1 filing without prejudice on the grounds that the CAISO has not provided sufficient information to enable the Commission to accept the Elk Hills NS-PGA as just and reasonable.⁷ The Commission should find that the CAISO has provided sufficient information to allow the Commission to accept the Elk Hills NS-PGA.

The Elk Hills NS-PGA contains only targeted, specifically described, and beneficial differences from the *pro forma* Net Scheduled Participating Generator Agreement.⁸ Those differences are necessary to provide the CAISO with additional information regarding gross telemetry, gross scheduling, and load. These changes effectively create a hybrid between the *pro forma* Participating

⁶ April 1 filing at 1-4.

⁷ PG&E at 3. 5.

⁸ See April 1 filing at 1-4; attachment B to April 1 filing (showing in red-line format the differences between the Elk Hills NS-PGA and the *pro forma* Net Scheduled Participating Generator Agreement).

Generator Agreement and the *pro forma* Net Scheduled Participating Generator Agreement: the scope of information provided by Elk Hills will be similar to the information provided by a resource under the *pro forma* Participating Generator Agreement; the net settlement provisions, however, will be the same as net settlement under the *pro forma* Net Scheduled Participating Generator Agreement. In other words, the Elk Hills NS-PGA contains provisions that the Commission has already found to be just and reasonable in two different *pro forma* agreements.

PG&E expresses concern about the statement in the April 1 filing that the CAISO encourages resources similarly situated to Elk Hills to enter into a non-conforming Net Scheduled Participating Generator Agreement comparable to the Elk Hills NS-PGA.⁹ There is no reason for concern. It is both appropriate and consistent with the Federal Power Act for the CAISO to offer similarly situated resources the opportunity to enter into agreements that provide the same benefits as the Elk Hills NS-PGA. Indeed, it could be considered unduly discriminatory for the CAISO not to offer that opportunity to similarly situated resources.¹⁰ The CAISO anticipates that resources that might choose to enter into such agreements would primarily be resources with significant capacity available to the CAISO markets, *i.e.*, resources comparable to the Elk Hills resource. The treatment of such resources in the CAISO markets would not be

⁹ PG&E at 3-4.

¹⁰ See Federal Power Act, Section 205(b), 16 U.S.C. § 824d(b) (prohibiting undue discrimination by public utilities).

fundamentally changed as PG&E suggests. Rather, the resources would simply be treated more like resources subject to a Participating Generator Agreement in that the agreement would allow more accurate resource modeling and more efficient functioning of the CAISO markets with respect to the resources. Moreover, like the Elk Hills NS-PGA, any future non-conforming Net Scheduled Participating Generator Agreement will be filed for Commission approval and therefore subject to comment by PG&E and any interested parties.

PG&E is alone in questioning the justness and reasonableness of the Elk Hills NS-PGA.¹¹ PG&E's concern is all the more unjustified because PG&E is not the scheduling coordinator for, or have a power purchase agreement with, Elk Hills. PG&E also ignores that Elk Hills has voluntarily agreed to the provisions of the agreement. PG&E fails to provide any evidence to undermine the CAISO's explanation that the Elk Hills NS-PGA will be beneficial for Elk Hills, the CAISO, and the CAISO markets.

B. The CAISO's Answers to the Specific Questions Posed by PG&E

PG&E poses several questions it believes need to be addressed before the Commission can reasonably determine that the Elk Hills NS-PGA is just and reasonable.¹² The CAISO provides answers to those questions below.

First, PG&E asks how the modeling and dispatching of the Elk Hills resource on a gross basis will affect Elk Hills's Regulatory Must-Take Generation

¹¹ The only other intervenor in this proceeding, the California Energy Commission, filed comments encouraging the Commission to accept it.

¹² PG&E at 3-4.

(“RMTG”) status.¹³ The answer is that the changes have nothing to do with RMTG; neither Elk Hills’s RMTG eligibility nor the determination of the RMTG amount will change. The RMTG will be determined in the same way it is determined and administered under Elk Hills’s existing Qualifying Facility Participating Generator Agreement or would be determined and administered under the *pro forma* Net Scheduled Participating Generator Agreement. The Elk Hills NS-PGA will simply improve the availability of information to the CAISO to see more accurately the operating configurations of the resource.

PG&E next asks what obligation Elk Hills will have to provide an accurate delineated minimum operating limit and how would will be measured.¹⁴ The delineated minimum operating limit is a pre-existing feature of the tariff provisions applicable to the *pro forma* Net Scheduled Participating Generator Agreement that was originally included in the *pro forma* Qualifying Facility Participating Generator Agreement.¹⁵ The delineated minimum operating limit defines the minimum level of operation below which the CAISO cannot curtail unless there is a system emergency. Resources provide the delineated minimum operating limit to the CAISO on the resource data template used for transmittal of Participating Generator technical data to the CAISO pursuant to the CAISO tariff. The non-

¹³ *Id.* at 4.

¹⁴ *Id.*

¹⁵ See tariff sections 4.6.3.4.4, 4.6.3.5.4; tariff appendix B.3 (*pro forma* Net Scheduled Participating Generator Agreement), section 4.2.5. The term was originally a defined term in the *pro forma* Qualifying Facility Generating Agreement. The term was left undefined when the CAISO amended the tariff in 2012 because the CAISO had introduced the tariff-defined term Minimum Operating Limit without realizing the term was already in use. The concept remains unchanged, however,

conforming Elk Hills NS-PGA simply includes this value in schedule 1 thereto. The CAISO does not propose any changes from the *pro forma* Net Scheduled Participating Generator Agreement in the Elk Hills NS-PGA with respect to how the delineated minimum operating limit is applied.¹⁶

PG&E also asks what the impact is of Elk Hills providing an estimated demand for self-provided load.¹⁷ Elk Hills will provide the CAISO with the estimated demand of its self-provided load through daily forecasts submitted to the CAISO's scheduling system. These can be updated in the real-time market and must be updated if the deviation is significant.¹⁸ While the CAISO is not proposing to define what is "significant," this arrangement provides more information to the CAISO than would otherwise exist if the Elk Hills resource were modeled as a static net resource. In addition, with gross telemetry, the CAISO will be able to see how the resource is operating in real-time. Therefore, the CAISO will have more accurate information concerning the capacity available to the market from the Elk Hills resource. The resource will be settled based on net metered values consistent with the *pro forma* Net Scheduled Participating Generator Agreement and the CAISO tariff. The purpose of the approach set forth in the Elk Hills NS-PGA is simply to provide a more accurate way to model this resource that self-provides its own load.

¹⁶ See appendix B to April 1 filing, revised sections 4.2.4, 4.5.

¹⁷ PG&E at 4.

¹⁸ April 1 filing at 3; attachment B to April 1 filing, revised section 4.2.1.

Lastly, PG&E asks how the self-provided load at the Elk Hills site will be treated under the Elk Hills NS-PGA.¹⁹ Self-provided Load will be entirely offset by on-site generation as it is today under the currently effective Qualifying Facility Participating Generator Agreement.²⁰ If Elk Hills is unable to meet the requirements of the site host load, standby service will be provided by PG&E under an existing Standby Service Agreement with PG&E dated July 2, 2013, as contemplated in section 4.6(b) of the Elk Hills NS-PGA.

III. Conclusion

For the foregoing reasons, the Commission should accept the Elk Hills NS-PGA as just and reasonable.

Respectfully submitted,

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¹⁹ PG&E at 4.

²⁰ *Id.*

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the above-referenced 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, DC this 1st day of May, 2014.

/s/ Bradley R. Miliauskas
Bradley R. Miliauskas