

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

**California Independent System            )       Docket No. ER13-\_\_\_\_-000**  
**Operator Corporation                        )**

**PETITION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION FOR APPROVAL OF DISPOSITION OF PROCEEDS OF  
PENALTY ASSESSMENTS**

Pursuant to Rule 207 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.207 (2008), and section 37.9.4 of the California Independent System Operator Corporation (“ISO”) FERC Electric Tariff, the ISO hereby seeks Commission approval of the distribution of the proceeds of penalties collected for violations of the ISO’s Rules of Conduct (*i.e.*, section 37 of the ISO tariff) in accordance with the allocation set forth in Attachment 1 to this filing. The ISO requests confidential treatment of Attachment 1 under 18 C.F.R. § 388.112.

**I.       DISCUSSION**

Section 37.9.4 of the ISO tariff requires the ISO to place all proceeds of penalties collected under section 37.9 into a trust account. Following the end of the year, the ISO must allocate those proceeds, together with interest, to Scheduling Coordinators for eligible Market Participants. Eligible Market Participants are those that were not assessed a financial penalty under section 37 during the relevant calendar year. Payment must be the product of: (a) the amount in the trust account, including interest; and (b) the ratio of GMC payments by the Scheduling Coordinator on behalf of eligible Market Participants

to the total of such amounts paid by all Scheduling Coordinators, but the payment cannot be more than the amount of Grid Management Charge (“GMC”) paid by the Scheduling Coordinator on behalf of all eligible Market Participants that it represents. Subsequent to the disposition, the Scheduling Coordinator is responsible for distributing the amounts to the eligible Market Participants in proportion to their share of the GMC paid by the Scheduling Coordinator on their behalf.

Section 37.9.4 requires the ISO to “obtain FERC’s approval of its determination of eligible Market Participants and their respective shares of the trust account proceeds” before distributing the penalty proceeds. Through the instant filing, the ISO hereby seeks approval to distribute the proceeds from penalties assessed in calendar year 2011.<sup>1</sup> In 2011, the ISO assessed \$19,000 in penalties. As of the August 31, 2012 Trading Day, these funds will have accrued \$272.80 in interest. Once the ISO receives Commission approval to distribute the penalty proceeds, the final interest amount will be recalculated to correspond to the actual day on which the distribution will occur. As noted in the ISO’s prior penalty disposition filings, the ISO used the applicable Trading Day of the Settlement Statement on which the penalty was invoiced to determine the

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<sup>1</sup> Historically, the ISO has sought Commission approval of its proposed distribution of penalty proceeds by filing a petition pursuant to Rule 207. The Commission previously has approved such filings. *Cal. Indep. Sys. Operator Corp.*, Docket No. ER11-2086-000 (February 17, 2011) (unpublished letter order); *Cal. Indep. Sys. Operator Corp.*, Docket No. ER10-891-000 (Aug. 27, 2010) (unpublished letter order); *Cal. Indep. Sys. Operator Corp.*, Docket No. ER08-1565-000 (Nov. 14, 2008) (unpublished letter order).

calendar year in which the penalty was assessed.<sup>2</sup> The breakdown of penalties is as follows:

**2011 Calendar Year Penalties**

Tariff Section	Number of Violations	Amount
37.4.3 (Explanation of Forced Outages)	3	\$18,500
37.6.1 (Required Information Generally)	1	\$ 500
		<u>\$19,000</u>

As contemplated by section 37.9.4, the ISO has contacted each Scheduling Coordinator that was assessed a penalty during the 2011 calendar year to determine each Market Participant served under the Scheduling Coordinator ID and the amount of GMC paid by each such Market Participant. No Scheduling Coordinator challenged the determination of eligible Market Participants. Using the data, the ISO calculated the allocation of penalty proceeds under the methodology set forth in section 37.9.4. The results of that calculation are included in Attachment 1.<sup>3</sup>

Consistent with the approach the ISO has followed in previous filings with the Commission for approval of disposition of penalty proceeds – and which the

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<sup>2</sup> See, e.g., Petition of the California Independent System Operator Corporation for Approval of Disposition of Proceeds of Penalty Assessments 2, FERC Docket No. ER08-1565-000 (Sept. 22, 2008).

<sup>3</sup> The allocation for some Scheduling Coordinators is under \$10. Per section 11.29.7.2.1, Invoices and Payment Advices “for amounts less than \$10.00 will be adjusted to \$0.00 and no amount will be due to or from that Scheduling Coordinator . . . .” The Invoices/Payment Advices on which the penalty proceeds will be allocated likely will have other debits and credits that bring the total amount of the Invoice/Payment Advice above \$10. If that is not the case and the total amount remains less than \$10, then that Scheduling Coordinator will not receive the funds identified in confidential Attachment 1.

Commission has authorized – the ISO is requesting that Attachment 1 be afforded confidential treatment under 18 C.F.R. § 388.112. Public disclosure of the information would allow parties to determine which Market Participants were assessed penalties. In this instance, the ISO has decided not to disclose the identities because the violations appeared to be without malicious intent and involved reporting oversights by the Scheduling Coordinators (sections 37.4.3 and 37.6.1). Disclosing the identities of the sanctioned Market Participants could potentially cause harm to those Market Participants that is in excess of the severity of the violations.

## **II. CORRESPONDENCE AND MARKET NOTICE**

The ISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following:

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Because this matter may be of interest to all Scheduling Coordinators, the ISO will issue a market notice of this filing.

### III. CONCLUSION

Accordingly, the ISO requests that the Commission approve the disposition of proceeds described in Attachment 1 and provide confidential treatment of Attachment 1 under 18 C.F.R. § 388.112.

Respectfully submitted,

**By: /s/ David S. Zlotlow**

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**Attachment 1**

**[ATTACHMENT CONSISTS OF PRIVILEGED MATERIAL REDACTED  
PURSUANT TO 18 C.F.R. 388.112]**