

153 FERC ¶ 61,155
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

November 9, 2015

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER15-2642-000

California Independent System
Operator Corporation
Attn: John E. Spomer, Esq.
250 Outcropping Way
Folsom, CA 95630

Dear Mr. Spomer:

1. On September 10, 2015, the California Independent System Operator Corporation (CAISO) filed an executed Planning Coordinator Agreement (Agreement) with the City and County of San Francisco (San Francisco), setting forth the terms and conditions under which CAISO will serve as the Planning Coordinator for San Francisco's transmission and generating facilities which are connected to transmission facilities that are part of the bulk electric system located within CAISO's balancing authority area.¹ CAISO explains that as required by the North American Electric Reliability Corporation's (NERC) regulations, a Planning Coordinator² is required to coordinate and integrate transmission facility and service plans, resource plans, and protection systems

¹ CAISO explains that it acts as the Planning Coordinator for its participating transmission owners, but that some adjacent transmission owners who have facilities or systems connected to CAISO but are not within CAISO's balancing authority, do not have Planning Coordinators. Filing at 3.

² According to CAISO, the NERC Reliability Standards establish the Planning Authority, which is synonymous with the term "Planning Coordinator," as one of the functional entities within the NERC Functional Model. *Id.* at 1.

among transmission planners, resource planners, and distribution providers with respect to reliability needs.³

2. CAISO states that the Agreement provides for CAISO to maintain its registration as a Planning Coordinator with NERC and serve as the Planning Coordinator for San Francisco's facilities. Under the Agreement, CAISO and San Francisco, in their role as Planning Coordinator and Transmission Planner respectively, will be responsible for compliance, as determined by the Commission, NERC and the Western Electricity Coordinating Council (WECC), with all reliability standards with respect to San Francisco's bulk electric system facilities.⁴ The Agreement also sets forth how the parties intend to coordinate with each other while carrying out their respective responsibilities, including the sharing and assessment of data related to interconnections, transmission planning, transfer capability and stability limits, modeling, uninstructed flow limits, and transmission relay loadability.⁵ The parties will also cooperate with each other with respect to all compliance activities related to the Planning Coordinator and Transmission Planner functions. This includes complying with a reasonable request for data or assistance from the other party.⁶

3. CAISO also states that the Agreement addresses the Assessment of Penalties (section 4.7.2) which states that if the Commission, NERC or WECC assesses monetary penalties against CAISO as a Planning Coordinator for violation of any applicable reliability standards, and the conduct or omission(s) of San Francisco contributed, in whole or in part, to the violation(s) at issue, then CAISO is allowed to recover a portion of any penalties it incurs from San Francisco.⁷ In addition, CAISO proposes that instead

³ *Id.* at 1-2.

⁴ Agreement, Articles 2.1(c) and 2.2(b) at 4.

⁵ Filing at 4 (*see*, Agreement, Article II (General Responsibilities of the Parties) and Attachment 2 (CAISO and San Francisco Coordination)).

⁶ CAISO also explains that there are a variety of standard provisions included in the Agreement such as: (1) confidentiality; (2) termination; (3) dispute resolution; (4) representations and warranties; (5) limitations of liability; and (6) governing law and venue. *Id.* at 5.

⁷ Section 4.7.2 of the Agreement explains that the reference to a "Market Participant" in section 14.7.2.5 of the CAISO Tariff applies to San Francisco for the purposes of the Agreement. A Market Participant is defined in the CAISO Tariff as, "An entity, including a Scheduling Coordinator, who either: (1) participates in the CAISO Markets through the buying, selling, transmission, or distribution of Energy, capacity, or

(continued ...)

of the payment provisions described in section 14.7.2.5 of the CAISO Tariff, the payment provisions in section 4.1.3 of the Agreement will apply with respect to recovery of applicable penalties.

4. Under the Agreement, San Francisco will pay CAISO an annual service fee, not to exceed \$250,000, for its services as a Planning Coordinator.⁸ CAISO states this fee reflects San Francisco's *pro rata* share of CAISO's costs for transmission planning. The *pro rata* share is based on San Francisco's number of circuits of transmission facilities as a portion of the total number of circuits of transmission facilities for which CAISO conducts transmission planning. CAISO states that it calculated the costs of transmission planning in a 2013 cost of service study that formed the basis of CAISO's 2015 Grid Management Charge Update.⁹

5. CAISO states that the instant filing constitutes a new service and an initial rate schedule subject to section 35.12 of the Commission's regulations ((18 C.F.R. § 35.12) (2015)), and asserts that the filing complies with the requirements of section 35.12 of the Commission's regulations (18 C.F.R. § 35.12 (2015)).¹⁰ CAISO requests that the Commission accept the Agreement, designated as CAISO Rate Schedule No. 80, to be effective November 10, 2015.¹¹

6. Notice of CAISO's filing was published in the *Federal Register*, 80 Fed. Reg. 56,452-02 (2015), with protests and interventions due on or before October 1, 2015. The City and County of San Francisco; Six Cities,¹² Metropolitan Water District of Southern California; the City of Santa Clara, California; and Modesto Irrigation District filed timely motions to intervene. Pacific Gas and Electric Company (PG&E) filed a motion

Ancillary Services into, out of, or through the CAISO Controlled Grid; (2) is a CRR Holder or Candidate CRR Holder, or (3) is a Convergence Bidding Entity.”

⁸ This fee is stipulated for the initial three year term of the Agreement. Agreement, section 4.1.1 at 6.

⁹ Filing at 4.

¹⁰ *Id.* at 6.

¹¹ *Id.*

¹² Six Cities includes: the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California.

to intervene out-of-time. San Francisco and Six Cities filed comments. On October 23, 2015, San Francisco filed a motion for leave to answer and answer.

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

8. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2015), the Commission will grant PG&E's untimely, unopposed motion to intervene given its interest in the proceeding, the early stage of this proceeding, and the absence of undue prejudice or delay.

9. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2)(2015), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept San Francisco's answer because it has provided information that has assisted us in our decision-making process.

10. In its comments, San Francisco supports approval of the Agreement. San Francisco acknowledges that it is not a participating transmission owner; however, its bulk electric system facilities are located within CAISO's balancing authority area. As such, San Francisco states that CAISO is an appropriate entity to act as its Planning Coordinator.¹³

11. In their comments, Six Cities state that they do not oppose the Agreement. Six Cities explain that with respect to allocation of penalties, the Agreement references several provisions of the CAISO Tariff governing the direct allocation of compliance penalties.¹⁴ Six Cities also explain that the CAISO Tariff provides for the indirect allocation of compliance penalties among Market Participants, however, the Agreement has no provisions that authorize CAISO to allocate a share of penalties assessed to it as the Planning Coordinator for San Francisco under the indirect allocation procedures in section 14.7.3.1 of the CAISO Tariff. Six Cities argue that it may be appropriate for San Francisco to pay a share of the penalty amount, depending upon CAISO's allocation methodology, which must be filed with and approved by the Commission.¹⁵

¹³ San Francisco Comments at 3.

¹⁴ Six Cities Comments at 2.

¹⁵ *Id.* at 3.

12. Six Cities urge the Commission to affirm that the absence of provisions in the Agreement governing indirect allocation of penalties does not preclude San Francisco from being allocated a portion of a compliance penalty on a comparable basis to other similarly situated Market Participants under section 14.7.3 of CAISO's Tariff.¹⁶

13. In its answer to Six Cities' comments, San Francisco acknowledges that under section 14.7.3 of the CAISO Tariff, CAISO may seek Commission approval to allocate penalties to Market Participants, including San Francisco, on an indirect basis. San Francisco asserts that the Agreement neither limits nor expands San Francisco's liability under section 14.7.3 of the CAISO Tariff. Thus, San Francisco argues, any concern by Six Cities is misplaced.¹⁷

14. The Commission accepts the Agreement for filing, effective November 10, 2015, as requested. The NERC Functional Model describes, in general terms, the role of the Planning Coordinator in maintaining the reliability of the bulk electric system. The NERC Reliability Standards list the specific requirements that the Planning Coordinator is responsible for performing. The Agreement states that CAISO will be responsible for compliance with all reliability standards applicable to a Planning Coordinator for San Francisco's bulk electric system facilities, as determined by the Commission, NERC, and WECC. Because San Francisco is interconnected to CAISO's balancing authority area, it is reasonable for CAISO to act as the Planning Coordinator on behalf of San Francisco. The Agreement is a bilateral contract resulting from arm's length negotiations between the parties. As such, the parties have agreed to the terms and conditions reflected therein, including incorporating references to specific CAISO Tariff sections. We find that CAISO's proposal to charge for services under the Agreement based upon allocating San Francisco's *pro rata* share of CAISO's cost for transmission planning by using the ratio of San Francisco's transmission circuits to the total number of circuits (including San Francisco's circuits) for which CAISO conducts transmission planning is reasonable. The methodology helps ensure that San Francisco pays charges that are proportionate to the number of transmission circuits it owns for which CAISO will be responsible to provide Planning Coordinator services.

15. In response to Six Cities' concern in regard to the allocation of indirect penalties to San Francisco, we find that there is nothing in the Agreement that excludes application of section 14.7.3.1 to San Francisco. Section 4.7.2 of the Agreement incorporates by reference section 14.7.2.1 of the CAISO Tariff for direct allocation of penalties, and specifically states that San Francisco is subject to this provision. In addition,

¹⁶ *Id.*

¹⁷ San Francisco Answer at 2.

section 4.7.2 provides that the payment provisions in section 4.1.3 of the Agreement, governing how penalties directly allocated to San Francisco will be invoiced and paid, will apply instead of the penalty payment provisions set forth in section 14.7.2.5 of the CAISO Tariff. The Agreement does not address San Francisco's potential liability in the event of indirect allocation of penalties for reliability violations. In its answer to Six Cities' comments, San Francisco confirms that the Agreement neither limits nor expands San Francisco's liability under section 14.7.3 of the CAISO Tariff.¹⁸ We, therefore, find that as a CAISO Market Participant, San Francisco is bound by terms and conditions of the CAISO Tariff, except for the provisions in section 14.7.2.5 (regarding how penalties will be invoiced and paid). We also note that CAISO will have to justify, and the Commission would have to accept, the allocation of penalties under section 14.7.3.1 of the CAISO Tariff.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

¹⁸ *Id.*