

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

Shell Energy North America (US), L.P.)	
)	
v.)	Docket No. EL15-94-000
)	
California Independent System Operator Corporation)	

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO COMMENTS**

The California Independent System Operator Corporation (“CAISO”) submits this answer to comments filed regarding the August 24, 2015 complaint of Shell Energy North America (US), L.P. (“Shell Energy”).¹ First, the CAISO explains that it will commence a stakeholder process to address certain issues regarding the timing of settlement statements that were raised in Shell Energy’s complaint. The CAISO also responds to comments raising an issue unrelated to the complaint.

¹ The CAISO submits this answer pursuant to Rules 206(f) and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.206(f), 385.213. Rule 213(a)(2) prohibits answers to protests and answers, but does not prohibit answers to comments. To the extent that the Commission deems any part of this answer to be within the prohibitions of Rule 213(a)(2), the CAISO requests waiver of the rule. 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 Services, Inc.*, 124 FERC ¶ 61,011, at P 20 (2008).

I. Background

As explained in the CAISO's answer, Shell Energy's complaint concerns an unfortunate situation in which Shell Energy failed to submit a timely dispute to a settlement statement that contained an erroneous charge of \$307,500. On September 25, 2015, the CAISO filed its answer to the complaint. The CAISO explained that the ultimate cause of the erroneous charge at issue was a misinterpretation by the CAISO of an instruction from Shell Energy regarding a resource ID and to that extent, the error was made by the CAISO. Six parties filed comments on Shell Energy's complaint.² Five parties presented arguments in support of Shell Energy's request that the Commission find section 11.29.8.4.6 of the CAISO Tariff to be unjust and unreasonable.³ Two parties urged the Commission to provide Shell Energy's requested relief regarding its tariff dispute.⁴ In addition, three parties requested that the Commission direct tariff or business practice revisions to the CAISO settlement processes beyond section 11.29.8.4.6.⁵ In that regard, Griffith Energy expressed dissatisfaction with the CAISO's process of a current settlement dispute and asked the Commission to direct the CAISO to pay Griffith the disputed amounts.

On October 6, 2015, Shell Energy filed a motion to answer and answer to the CAISO's answer.

² The Cities of Anaheim, Azusa, Banning Colton, Pasadena, and Riverside, CA (collectively, "Six Cities"); Electric Power Supply Association ("EPSA"); Griffith Energy LLC ("Griffith"); The Alliance for Retail Energy Markets ("AReM"); Western Power Trading Forum ("WPTF"); and XO Energy CAL, LLC. ("XO").

³ Six Cities at 2-4; EPSA at 3-5; AReM at 4-5; WPTF at 5-6; XO at 2-4.

⁴ AReM at 4; WPTF at 4.

⁵ AReM at 4-5; Griffith at 7; XO at 3-4.

II. Answer

The parties that support Shell Energy's request for relief regarding the tariff dispute make only general statements of support and raise no arguments beyond those in Shell Energy's complaint. Similarly, Shell Energy's answer to the CAISO's answer is essentially a reiteration of its original arguments. The CAISO therefore does not seek to respond to the comments and answer. The CAISO does, however, believe the Commission will benefit from additional information of the remaining matters.

A. The CAISO Will Commence a Stakeholder Process Regarding the Timing of the Penultimate Settlement Statement.

As the CAISO explained in its answer, it operates on a 36-month settlement and invoicing cycle. The CAISO issues an initial settlement statement on the third business day after the relevant trading day based on estimated data. This is followed by a series of recalculation settlement statements showing incremental adjustments, issued at specified intervals as data becomes available and disputes are resolved. The recalculation intervals begin at 12 business days after the trading day, followed by 55 business days, then 194 (approximately 9 months), 383 (approximately 18 months), 737 (approximately 35 months) and 759 business days (approximately 36 months).⁶

The Commission approved this timeline as part of the CAISO's proposal to accelerate its settlement and payment timelines.⁷ The tariff imposes deadlines

⁶ CAISO Tariff § 11.29.7.1. During the earlier portion of the period encompassing the events relevant to this complaint, the intervals were somewhat different.

⁷ See *Cal. Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,265 (2009).

for filing disputes of each of these settlement statements. The deadline for disputing the T+35M settlement statement is five business days.⁸ The CAISO must act on the dispute within 14 (calendar) days.⁹ This ensures resolution of the dispute prior to the issuance of the final recalculation settlement statement at 36 months. This timeline provides market participants with an assurance of finality regarding their financial obligations. As the Commission found, “[I]t is important to have a date by which the settlement process is deemed to be final and the proposed sunset date provides an appropriate time limit for bringing the process to a close.”¹⁰

For the reasons discussed in the CAISO’s answer, the CAISO believes this timeline remains just and reasonable. There can be, however, a number of just and reasonable approaches to an issue, such as the matter of ensuring finality. Having reviewed the comments filed in this proceeding, the CAISO understands that some market participants find the existing T+35M deadline overly stringent. To address these concerns, the CAISO will commence a stakeholder process to examine alternatives. One such alternative that the CAISO is considering would be to accelerate the penultimate settlement statement by issuing it thirty-three months after the trading day. This would add an additional two months between the penultimate and the final settlement statements, allowing for a longer dispute period without interfering with the

⁸ CAISO Tariff § 11.29.8.4.6.

⁹ *Id.* § 11.29.8.5.

¹⁰ 128 FERC ¶ 61,265 at P 48.

CAISO's ability to produce a final settlement statement within three years of the trading day.

B. The Commission Should Not Address Comments Raising Issues and Requesting Relief Beyond the Scope of Shell Energy's Complaint.

As noted above, three parties ask the Commission to take actions regarding the CAISO's settlements and billing process that go beyond the issues raised and relief sought in Shell Energy's complaint. As a matter of due process and Commission precedent, the Commission should disregard these matters as beyond the scope of this proceeding.¹¹

Moreover, two of the parties—AReM and XO—provide only general assertions of dissatisfaction with the current tariff provisions and practices. Even if the issues they raise were within the scope of this proceeding, these assertions would not constitute substantial evidence that would support a finding that current CAISO tariff provisions or practices are unjust or unreasonable.

Griffith does describe its dissatisfaction with a specific ongoing settlement dispute with the CAISO. Griffith complains that as of the nine-month settlement statement, it had not been paid amounts it is owed for energy delivered.¹² It asks

¹¹ *Encana Marketing (USA) Inc. v. Rockies Express Pipeline LLC*, 146 FERC ¶ 61,161 at P 34 (2014) (Commission did not address Indicated Shippers' remaining arguments because issues were beyond the scope of Encana's complaint); *Nine Mile Point Nuclear Station, LLC v. Niagara Mohawk Power Corp.*, 110 FERC ¶ 61,033 at P 15 (2005) ("The issues that NUSCO raise do not share a factual basis with those presented in the instant complaint, and NUSCO's concerns are beyond the scope of this proceeding. Accordingly, we need not address those issues here.").

¹² Griffith at 6.

the Commission to remove tariff barriers that prevent the CAISO from “timely” paying Griffith and to direct the CAISO to make the payment.¹³

As noted, the relief that Griffith requests is beyond the scope of this complaint proceeding.¹⁴

Beyond that, to the extent that Griffith is suggesting that the delay is due to a lack of responsiveness on the part of the CAISO, it is incorrect. As Griffith appears to recognize,¹⁵ the errors at issue in that settlement statement were due to software glitches. The software problems were more complicated than what is described in Griffith’s answer, but this is not the proper place to address them in detail. The important points are that Griffith submitted its first dispute after the 55-business-day settlement statement. The CAISO subsequently addressed the software issue that gave rise to the error that Griffith disputed, but a new software issue produced an error in the next settlement statement, the nine-month settlement statement. Despite the software problems, Griffith will be paid. The CAISO anticipates that the errors will be corrected in the 18-month settlement statement and that payments will be correct after invoicing.

These intervals are the tariff intervals that the Commission approved as part of an iterative process. It is reasonable to expect that on occasion a software issue may arise that requires subsequent correction. It is not reasonable to expect the CAISO to depart from its normal, filed-rate, settlement schedule whenever a market participant is impatient with the process. The tariff

¹³ *Id.* at 7.

¹⁴ See, e.g., *Entergy Serv., Inc.*, 122 FERC ¶ 61,232 at P 41 (2008).

¹⁵ See Griffith at 4, n.15.

fully protects market participants whose payments are delayed; they are awarded interest at the Commission-approved rate. Accordingly, Griffith has not suffered any financial harm. The Commission should not address its arguments.

III. Conclusion

The CAISO hopes the above information will be helpful to the Commission. For the reasons expressed in the CAISO's answer to the Shell Energy complaint, the Commission should deny the complaint. In addition, the Commission should take no action regarding other issues raised in comments.

Respectfully submitted,

/s/ Daniel J. Shonkwiler

Kenneth G. Jaffe
Michael Ward
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
Tel: (202) 239-3300
Fax: (202) 654-4875
michael.ward@alston.com

Roger E. Collanton
General Counsel
Burton Gross
Assistant General Counsel
Daniel J. Shonkwiler
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
dshonkwiler@caiso.com

Attorneys for the California Independent System Operator Corporation

Dated: October 26, 2015.

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 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 Washington, D.C. this 26th day of October, 2015.

/s/ Daniel Klein
Daniel Klein