

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

California Independent System) Docket No. ER14-2756-000
Operator Corporation)

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

The California Independent System Operator Corporation (CAISO)¹ files this answer to Powerex Corp.'s (Powerex) comments submitted in the captioned proceeding² in response to the CAISO's September 2, 2014, tariff amendment reinforcing that the congestion revenue right (CRR) settlement rule set forth in section 11.2.4.6 of the CAISO tariff includes nodal megawatt limit constraints (September 2 tariff filing).³

The Commission should accept the September 2 tariff filing as submitted by the CAISO. All parties that submitted comments, including Powerex, agree that the Commission should accept the CAISO's filing without modification. However, Powerex also urges the CAISO to convene a stakeholder process to address concerns Powerex has regarding the design of the CRR settlement rule.

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 following entities filed motions to intervene in the proceeding: Boston Energy Trading and Marketing, LLC; California Department of Water Resources State Water Project (SWP); Calpine Corporation; NRG Power Marketing LLC and GenOn Energy Management, LLC; Pacific Gas and Electric Company; Powerex; Southern California Edison Company (SCE); and Western Power Trading Forum. SCE, and SWP also filed comments.

³ The CAISO files this answer pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213.

Powerex does not request that the Commission order the CAISO to commence such a process. Powerex's request is beyond the scope of this proceeding and is appropriately considered in the regular CAISO stakeholder process for prioritizing stakeholder initiatives. That process is already underway and identifies several initiatives in which Powerex's issues may be addressed.

I. Background

On September 2, 2014, the CAISO filed the proposed language to reinforce that the CRR settlement rule specified in section 11.2.4.6 includes the nodal megawatt limit constraints the CAISO enforces to achieve an alternating current solution in the day-ahead market pursuant to tariff section 30.10. The CRR settlement rule automatically reduces revenues to CRR holders that are also convergence bidding entities when those entities submit virtual bids at locations that increase the value of CRRs. The CAISO requested that the Commission permit the September 2 tariff filing to go into effect as of September 2.⁴

Three entities submitted comments in response to the September 2 tariff filing: SCE and SWP filed comments supporting Commission acceptance of the September 2 tariff filing, and Powerex filed the comments addressed below.

⁴ On September 3, 2014, the CAISO supplemented the September 2 tariff filing to include as an attachment a public notice referenced in, but inadvertently not attached to the September 2 filing.

II. Answer

Like the other parties that commented, Powerex supports Commission acceptance of the September 2 tariff filing without further amendment.⁵ Powerex “commends CAISO for taking prompt action to clarify that transactions affecting nodal megawatt limit constraints can trigger the CRR settlement rule” set forth in tariff section 11.2.4.6, and states that “[s]uch proactive clarification of market rules . . . benefits all market participants.”⁶ Powerex also requests, however, that the CAISO convene a stakeholder process to address concerns Powerex has regarding the design of the CRR settlement rule.⁷

The Commission should accept the September 2 tariff filing without condition or modification. Powerex does not ask the Commission to condition its acceptance on the CAISO’s establishment of a further stakeholder process. Powerex’s request for a further stakeholder process is beyond the scope of this proceeding, which solely addresses the CAISO’s proposal to reinforce existing tariff language that the CRR settlement rule includes the nodal megawatt limit constraints.

The CAISO recognizes that Powerex expresses concerns about separate issues related to the design of the CRR settlement rule. Powerex should direct its request to the CAISO’s currently active draft 2015 stakeholder initiatives

⁵ Powerex at 5, 9.

⁶ *Id.* at 5-6.

⁷ *Id.* at 7-8.

catalog process.⁸ Through this process, the CAISO and stakeholders prioritize consideration of potential enhancements to the CAISO's market design. Recognizing that stakeholders and the CAISO have numerous competing interests but limited resources to devote to all possible enhancements, the CAISO has used the stakeholder initiatives catalog process for many years to obtain the input of interested parties regarding prioritization. The CAISO has proposed a series of stakeholder conference calls and opportunities for written stakeholder comments over the next two months regarding the items listed in the 2015 draft stakeholder initiatives catalog. The CAISO will then present the final 2015 policy development roadmap to the CAISO Governing Board in early 2015.⁹

The CAISO notes that Powerex's concern is explicitly listed as an initiative under consideration in the roadmap process. Item 6.8 under the roadmap process expressly provides for the comprehensive review of the CRR settlement rule Powerex seeks. Thus, Powerex and all other interested parties have a full opportunity to raise any concerns they have about the design of the CRR settlement rule in the stakeholder initiatives catalog process currently underway. The CAISO urges Powerex to participate fully in that process.

⁸ Materials related to the stakeholder process for the stakeholder initiatives catalog are available on the CAISO website at <http://www.caiso.com/informed/Pages/StakeholderProcesses/StakeholderInitiativesCatalogProcesses.aspx>. The CAISO issued a market notice regarding the draft 2015 stakeholder initiatives catalog on October 1, 2014. The market notice explains that a stakeholder call to discuss the draft initiatives catalog is scheduled for October 9 with comments on the draft catalog due October 22. See <http://www.caiso.com/Documents/Draft2015StakeholderInitiativesCatalogPostedCall10914.htm>.

⁹ See page 10 of the draft 2015 stakeholder initiatives catalog available on the CAISO website at http://www.caiso.com/Documents/Draft_2015StakeholderInitiativeCatalog.pdf.

III. Conclusion

For the foregoing reasons, the Commission should accept the September 2 tariff filing as submitted in the captioned proceeding without condition or modification.

Respectfully submitted,

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Dated: October 7, 2014

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 Folsom, California this 7th day of October, 2014.

/s/ Anna Pascuzzo
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