

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

**California Independent System) Docket No. ER12-2643-000
Operator Corporation)**

**ANSWER TO MOTIONS TO INTERVENE AND COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“ISO”)¹ files this answer to the motions to intervene and comments submitted in this proceeding in response to the ISO’s submittal on September 18, 2012 of a tariff amendment to establish a process for allocating resource adequacy deliverability status from transmission capacity identified in the ISO’s annual transmission plan to distributed generation resources (“DG Deliverability Amendment”).² Specifically, the ISO respond to comments filed by Six Cities and SCE.

First, the ISO agrees with Six Cities that the tariff language included in the DG Deliverability Amendment should be clarified to ensure that Local Regulatory Authorities (“LRAs”) that have jurisdiction over load-serving entities that serve load at relatively few nodes on the ISO Controlled Grid will be able to effectively utilize the entirety of their allocated DG Deliverability.

¹ Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the ISO tariff, as revised by the proposed tariff changes contained in the ISO’s May 25, 2012 TPP-GIP tariff amendment in this proceeding. Except where otherwise specified, references to section numbers are references to sections of the ISO tariff as revised by the proposals in the TPP-GIP tariff amendment.

² The following entities filed motions to intervene and/or comments in this proceeding: California Department of Water Resources State Water Project; California Municipal Utilities Association (CMUA); Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, Six Cities); City of Santa Clara, California; Modesto Irrigation District; Northern California Power Agency (NCPA); NRG Companies; San Diego Gas & Electric Company; and Southern California Edison Company. The California Public Utilities Commission (CPUC) filed a notice of intervention.

Second, the ISO disagrees with SCE's comments that DG Deliverability should be allocated directly to load-serving entities instead of LRAs.

I. ANSWER

A. The ISO Agrees that the Calculation for Determining LRA Shares of Potential DG Deliverability Should be Modified

In its comments on the DG Deliverability Amendment, Six Cities states that it endorses the ISO's proposal to adjust the allocation of deliverability among LRAs at specific nodes where more than one LRA serves load, so as to allow smaller LRAs to effectively utilize their load ratio share of total potential DG Deliverability as identified by the ISO. However, Six Cities contends that the language proposed by the ISO in Section 40.4.6.3.2.1 to implement this mechanism is not entirely consistent with the intent of the proposal as explained by the ISO in the stakeholder process and its transmittal letter. Specifically, Six Cities expresses concern that Section 40.4.6.3.2.1 limits this adjustment to LRAs that serve their load at a single ISO node. Six Cities states that the proposal contemplated applying this adjustment mechanism not only to LRAs that have load at a single node, but also those who have load at a "few nodes," and so, the tariff wording is narrower than the tariff proposal³

The ISO agrees with Six Cities, insofar as it did intend the adjustment--made so that LRA's could utilize their system-wide share of potential DG Deliverability --to apply to the situation where an LRA for whom the load under its jurisdiction is located at *just a few ISO nodes* (as opposed to just one node).

³ Six Cities at 3-5.

Therefore, the ISO proposes to amend Section 40.4.6.3.2.1 on compliance in order to state that the ISO's initial nodal apportionment of potential DG Deliverability to LRAs, which will be based on each LRA's share of the nodal Load at each shared Node, will be subject to modification when the following two conditions are met:

- (i) The Load under the jurisdiction of one of the affected LRAs is located at a group of Nodes that includes one or more shared nodes, such that the calculated initial shares are insufficient to enable that LRA to obtain its full MW share of the total CAISO system-wide Potential DGD at Nodes where it serves Load; and
- (ii) The Load under the jurisdiction of the other affected LRA at the shared Nodes is located at a group of Nodes having a total quantity of Potential DGD that is sufficient to enable this LRA to obtain its full MW share of the total CAISO system-wide Potential DGD even if its shares at the shared Nodes are reduced.

In situations where these conditions apply, the LRA described by condition (i) above will be permitted to nominate up to the entire nodal quantity of potential DG Deliverability at each of the shared nodes, so long as it nominates in total no more than its full MW share of total CAISO system-wide potential DG Deliverability.

The following example illustrates how this modified adjustment mechanism would operate. Suppose LRA1 is a municipal authority whose load-serving entities serve load at nodes A, B and C. LRA2 is an LRA such as the CPUC with jurisdiction over large load-serving entities, and has some load at nodes A and B, as well as many other nodes, but not including node C. Nodes A and B are shared nodes, and the ISO does the initial calculation of LRA shares based on each LRA's shares of the nodal load at node A and at node B. In determining whether this apportionment is subject to adjustment, the ISO analyzes the allocation to see if it satisfies the two conditions set forth above. The first condition would be met if the total potential DG Deliverability at node C plus LRA1's calculated shares at A and B is not enough to enable LRA1 to obtain its full system-wide share of potential DG Deliverability from nodes where its LSE serves load (i.e., nodes A, B and C). The second condition would be met if LRA2 can obtain its full system-wide share of potential DG Deliverability from nodes where its LSEs serve load even if it gets smaller shares at nodes A and B.

If these two conditions are met, LRA1 would be permitted, in the first round, to nominate potential DG Deliverability at nodes A and B that exceed its initially calculated load-ratio nodal shares, and may be as large as the full amount of potential DG Deliverability available at nodes A and B, as long as LRA1's total nomination at A, B and C does not exceed its system-wide share.

The ISO notes that in such a situation, LRA1 may have some choice as to how to distribute its nomination over nodes A, B and C. For example, suppose LRA1's share of the total system-wide Potential DG Deliverability is 100 MW,

while its nodal shares under the initial nodal load-ratio calculation add up to only 80 MW at nodes A, B and C. Suppose further that if the total amount of nodal Potential DG Deliverability at nodes A and B is added to the amount at node C it would add up to 115 MW. Then under the proposed changes, LRA1 would be permitted to nominate a total of 100 MW at nodes A, B and C and would have some flexibility as to how to distribute the 100 MW across these three nodes, due to the fact that 115 MW is available.

The ISO submits that these modifications appropriately reflect the intent behind the original proposal to prevent LRAs who only have jurisdiction over load located at relatively few ISO nodes from being unable to utilize their total system-wide potential DG Deliverability, while protecting other LRAs who share one or more of these nodes from being unfairly disadvantaged by this adjustment process.

B. The Commission Should Accept the ISO's Proposal to Allocate DG Deliverability to LRAs Rather than to Load-Serving Entities

In its comments, SCE contends that, instead of allocating DG Deliverability to LRAs, as the ISO proposes, DG Deliverability should be allocated directly to load-serving entities. SCE states that the ISO already allocates several "deliverability" rights directly to load-serving entities, and that load-serving entities are best positioned to manage deliverable capacity, can ensure a more streamlined and efficient process to allocate deliverability, and

have a direct overview of projects seeking to interconnect to the distribution system.⁴

The ISO disagrees. The ISO does not believe it appropriate for the ISO tariff to attempt to place requirements on local regulatory authorities in terms of stipulating eligibility for deliverability among an LRA's load-serving entities. The ISO believes that, contrary to creating a more "streamlined process," allocating DG Deliverability directly to load-serving entities actually leads to greater complications in the context of implementing California state policy requirements regarding renewable energy and the expansion and deployment of distributed generation resources because the majority of issues relating to these policies are regulated by the CPUC and other local regulatory authorities with respect to non-CPUC jurisdictional load serving entities.

Moreover, SCE's analogy of DG Deliverability rights to other types of "deliverability" rights, such as the allocation of resource adequacy import capacity, is not convincing. Unlike DG Deliverability, the ISO does not need to apply any geographic restrictions on the choices of each load-serving entity with respect to these other types of "deliverability" rights. For instance, in the case of import capacity, any LSE can obtain imports from any intertie on the ISO system. In the case of DG Deliverability, however, load-serving entities would likely prefer to receive DG Deliverability allocations at locations where they serve load, but for a large LRA like the CPUC that oversees the procurement of multiple LSEs. However, the geographic pattern of procurement of capacity from distributed generation resources by CPUC-jurisdictional load-serving entities such as SCE is

⁴ SCE at 2-6.

a matter within the jurisdiction of the CPUC jurisdictional matter, and such decisions may be driven by locational nuances that are not the ISO's concern, nor within the ISO's expertise to evaluate.

As explained above, the ISO believes that it is appropriate for the ISO to try to ensure that the non-CPUC jurisdictional LRAs can obtain DG Deliverability where their load-serving entities serve load. Beyond that, however, where multiple load-serving entities are under a single regulatory authority, these locational matters are appropriately left to the regulatory authority of the applicable LRA.

II. CONCLUSION

For the reasons explained above, the Commission should accept the DG Deliverability tariff amendment, with the modifications discussed herein.

Respectfully submitted,

Baldassaro "Bill" Di Capo
Senior Counsel
Judith Sanders
Senior Counsel
The California Independent
System Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7144
Fax: (916) 608-7296
E-mail: bdicapo@caiso.com
jsanders@caiso.com

/s/ Michael Kunselman
Michael Kunselman
Bradley R. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
E-mail: michael.kunselman@alston.com
bradley.miliauskas@alston.com

Attorneys for the California Independent System Operator Corporation

Dated: October 24, 2012

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, D.C. this 24th day of October 2012.

/s/ Anna Pascuzzo
Anna Pascuzzo