

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

**California Independent System            )       Docket No. ER13-2178-000  
Operator Corporation                    )**

**MOTION FOR LEAVE TO ANSWER THE  
COMMENTS SUBMITTED IN RESPONSE TO  
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION'S  
FILING OF THE MARKET EFFECIENCY ENHANCEMENT AGREEMENT**

The California Independent System Operator Corporation (“ISO”) hereby submits this motion for leave to answer the comments submitted in response to the ISO’s filing in this proceeding of the Market Efficiency Enhancement Agreement (“MEEA”) between the ISO and the Sacramento Municipal Utility District (“SMUD”).<sup>1</sup>

The following parties intervened in this proceeding: California Department of Water Resources, City of Redding, City of Santa Clara, Modesto Irrigation District, Northern California Power Agency, Pacific Gas and Electric Company, Transmission Agency of Northern California, SMUD, and Southern California

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<sup>1</sup> The ISO submits this answer pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213. Under Rule 213(a)(1) of the Commission’s Rules of Practice and Procedure, a party may answer any pleading unless otherwise prohibited. There is no prohibition of answers to comments. The Commission has accepted answers to protests if such answers clarify the issues in dispute or provide information that assists the Commission in making a decision. See, e.g., *Southwest Power Pool, Inc.*, 89 FERC ¶ 61,284 at 61,888 (1999); *El Paso Electric Co., et al. v. Southwestern Pub. Serv. Co.*, 72 FERC ¶ 61,292 at 62,256 (1995); *Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011); *California Independent System Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010); *Xcel Energy Services, Inc.*, 124 FERC ¶ 61,011, at P 20 (2008).

Edison Company (“SCE”).<sup>2</sup> No intervention raised any objection or protest concerning the MEEA. Only SCE’s comments warrant an answer by the ISO.

**I. Answer**

SCE does not oppose the MEEA. Instead, SCE states that it is concerned about the potential for SMUD to arbitrage the MEEA price and the IBAA price. Admitting this is not presently an issue, SCE nonetheless suggests the Commission order the ISO to monitor these prices, and that the ISO commit to modify the MEEA if such circumstances present themselves in the future. The additional measures requested by SCE are unnecessary.

First, it is not clear to the ISO how the MEEA represents an arbitrage opportunity, particularly since SCE does not offer any support for its concern. SMUD generally should not be able to arbitrage between prices of buying versus selling to the ISO at its MEEA price, because these prices are the same.<sup>3</sup> Further, there should be little if any difference between the price for exports from the ISO to SMUD between the MEEA price and the IBAA price, because these are weighted averages of the same locations, between which locational marginal price differences would be limited. If SMUD were to attempt to arbitrage prices by buying from the ISO at the MEEA price and then selling to third parties at Captain Jack, the ISO should be able to observe such actions and respond accordingly. Note it is also not clear to the ISO under what circumstances a

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<sup>2</sup> The ISO has no objection to any intervention.

<sup>3</sup> See MEEA, Section 4.2 and Schedule 2 (providing that the same distribution factors will represent the MEEA Entity’s export bids in the network model and for settlements); *see also*, MEEA, Section 4.1.1 (stating that the ISO is to use the modeling information only to price imports and exports between SMUD and the ISO).

purchase from the ISO market for export and resale at Captain Jack would be problematic. This scheme in any event could only work in the rare circumstance where the Captain Jack price was higher than the MEEA price.

Second, the ISO has always intended to monitor market behavior associated with MEEA transactions as part of its overall market monitoring program. The ISO's Department of Market Monitoring was informed of the MEEA, and ISO staff will perform the verification and validation processes contemplated by the MEEA. However, the verification activities of ISO staff would not supersede the role of the ISO's market monitor in relation to the MEEA. This monitoring function would continue as a normal practice and be capable of observing market behaviors associated with the MEEA. The provisions of the MEEA and the vigilance of ISO staff and its market monitor are sufficient to avoid the need for any specific Commission directive regarding the monitoring of MEEA prices.

Finally, the MEEA already includes provisions that facilitate modification of the agreement if the parties identify pricing issues due to modeling or for other reasons. Sections 4.1.2 and 5.1.2 of the MEEA both include an opportunity to address concerns associated with the information provided by SMUD and the underlying modeling. The ISO believes these provisions are sufficient to address SCE's suggestion that the ISO commit to modify the agreement if modeling issues should arise, and no Commission further directive is needed.

## II. Conclusion

For the reasons explained above and in the ISO's August 16 filing in this proceeding, the Commission should accept the Market Efficiency Enhancement Agreement with SMUD without condition.

Respectfully submitted,

**By: /s/ John C. Anders**

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Dated: September 16, 2013

## 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, CA this 16<sup>th</sup> day of September, 2013.

*Anna Pascuzzo*

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