



September 24, 2020

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: California Independent System Operator Corporation  
Response to Deficiency Letter  
Docket No. ER04-835-010**

Dear Secretary Bose:

On October 28, 2019, as supplemented on March 2, 2020 and March 31, 2020, the California Independent System Operator Corporation (CAISO) submitted a compliance filing in this proceeding (Compliance Filing). The Commission issued a letter to the CAISO on August 25, 2020 stating that the Compliance Filing is deficient and that additional information is necessary to process it (August 25 Letter). The CAISO submits this response to provide the additional information required by the August 25 Letter.

## **I. Background**

On August 28, 2019, the Commission issued an order finding in relevant part that it was appropriate for the CAISO to assess interest on refunds and resettlements made in connection with this proceeding from July 17, 2004, with the interest amounts to be calculated consistent with section 35.19a of the Commission's regulations.<sup>1</sup> The Commission directed the CAISO to submit a compliance filing "reflecting the invoices it plans to distribute for interest amounts."<sup>2</sup> The CAISO had processed the underlying resettlement in 2014, as described in a pair of refund reports the CAISO filed in 2013 and 2014 and the Commission accepted in the August 28 Order.<sup>3</sup>

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, 168 FERC ¶ 61,127, at PP 28-29 (2019) (August 28 Order), *reh'g denied*, 171 FERC ¶ 61,109 (2020) (May 8 Order).

<sup>2</sup> August 28 Order at P 29.

<sup>3</sup> *Id.* at PP 1, 12. The refund period ran from July 17, 2004 through March 31, 2009, after which date the CAISO implemented its current market design. As explained in the refund reports, the CAISO provided the underlying refunds following court proceedings on Amendment No. 60

The CAISO submitted the Compliance Filing in an effort to satisfy the directive in the August 28 Order. As stated in the Compliance Filing, interest on the reallocated minimum load costs at issue in this proceeding totals \$88.3 million and interest on the reallocated start-up costs at issue in the proceeding totals \$6 million through March 31, 2020, the end-date of the CAISO's interest calculations.<sup>4</sup> The CAISO also stated that it has provided each market participant with specific details regarding its interest charges and allocations for those amounts. The CAISO's goal was to provide each party with sufficient information to validate the interest calculations.

On April 3, 2020, the Commission issued an order directing the CAISO to refrain from resettling its market until the Commission has accepted the Compliance Filing.<sup>5</sup> The CAISO therefore suspended its processing of settlement statements and invoices and cancelled any invoices it had already issued to market participants for interest (subject to reissuance if so required pursuant to future Commission directives), and returned any interest pre-payments to market participants. On May 21, 2020, the Commission issued a deficiency letter regarding the Compliance Filing, to which the CAISO filed a response on June 22, 2020 (June 22 Deficiency Response).

In the August 25 Letter, the Commission directed the CAISO to provide the following information in addition to that provided in the Compliance Filing and the June 22 Deficiency Response:

- (1) "In the May 6, 2020 Answer, CAISO states that the interest for the reallocated start-up costs totals \$6 million. In its June 22, 2020 Deficiency Response, CAISO provides a table reflecting the interest for the reallocated start-up costs for each market participant, which appears to demonstrate approximately \$3 million in interest. Please explain how CAISO explain arrived at \$6 million in interest for start-up costs. Please provide any further calculations to reconcile your response with the June 22, 2020 Deficiency Response."
- (2) "In the May 8, 2020 Order Denying Rehearing, the Commission stated that it would address issues related to the accuracy of the

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that concluded in late 2013. The CAISO invoiced the resettlement amounts that resulted in the refunds (excluding interest) on June 19, 2014, with payments due a week later on June 26, 2014.

<sup>4</sup> The CAISO also stated that the interest on the reallocated start-up costs totals \$6 million in the answer to protests it submitted in this proceeding on May 6, 2020 (May 6 Answer).

<sup>5</sup> *Cal. Indep. Sys. Operator Corp.*, 171 FERC ¶ 61,011, at P 15 and Ordering Paragraph (A) (2020).

resettlement statements on compliance. Accordingly, please provide the resettlement principal and interest amount for each market participant.” (Internal citation omitted.)

- (3) “In its original 2013 refund report, CAISO identified a total resettlement, exclusive of interest, in the amount of \$197.6 million. In its amended 2014 refund report, CAISO states that it corrected an error in its resettlement calculations and identified an additional \$22.9 million shift from system and local to zonal cost allocation, resulting in a corrected resettlement amount of \$217 million. As the sum of \$197.6 million and \$22.9 million equals \$220.5 million, please explain and reconcile the difference between your revised stated total of \$217 million and \$220.5 million.”

The August 25 Letter directed the CAISO to provide this additional information within 30 days of the date of the letter, *i.e.*, by September 24, 2020.

## **II. Response to Requests for Additional Information**

### **A. Response to Request (1)**

In the Compliance Filing, the CAISO provided the total gross interest that it calculated and plans to collect and distribute among the CAISO market participants, which represents the total sum of interest calculated for each trade month. The total gross interest calculated on start-up cost adjustments was approximately \$6 million.

In addition to the total gross interest dollars provided in the Compliance Filing, in the June 22 Deficiency Response the CAISO included supporting information by market participant. The supporting table indicates each market participant’s net interest exposure for the impacted trade period. The total net market participant interest is the total sum of each market participant’s net interest across the trade period. As indicated in the June 22 Deficiency Response, the total net market participant interest is approximately \$3 million.

The difference between the total gross interest (approximately \$6 million) and the total net market participant interest (approximately \$3 million) relating to start-up cost adjustments is due to variances in market participants’ interest positions between trade months. In some trade months, a market participant may be owed interest, while in other months the same market participant may have to pay interest. A simple example will help illustrate this concept: Assume participant A is owed \$1,000 in interest for trade month July 2007 based upon interest owing from participant B and participant C of \$400 and \$600 respectively. And in trade month August 2007 participant B is owed \$800 in interest based upon interest owing from participant A and participant C of \$500

and \$300 respectively. As shown in the table below, the total gross interest for these trade periods is \$1,800 while the total net market participant interest is \$900.

	<b>July 2007</b>	<b>August 2007</b>	<b>Gross Interest</b>	<b>Net Interest</b>
<b>Participant A</b>	-1000	500	500	0
<b>Participant B</b>	400	-800	400	0
<b>Participant C</b>	600	300	900	900
<b>Total</b>			1800	900

No additional calculations are needed to reconcile the total gross amount of interest and the total net market participant interest described above. Both of those amounts are accurate.

In Attachment A to this filing, the CAISO provides a spreadsheet that shows both the gross and net interest amounts.<sup>6</sup> Because this is commercially sensitive market participant data, the CAISO respectfully requests privileged treatment for the entirety of the data contained in Attachment A pursuant to 18 C.F.R. § 388.112.

Further, the CAISO respectfully requests that the Commission waive the requirements of 18 C.F.R. § 388.112(b) to the extent they would otherwise require the CAISO to submit a form of non-disclosure agreement in this proceeding. The Commission has previously found that commercially sensitive, entity-specific information and confidential market data filed by an Independent System Operator or Regional Transmission Organization should not be disclosed, even pursuant to a non-disclosure agreement, to participants in a Commission proceeding.<sup>7</sup> For similar reasons, the Commission should not require the CAISO to submit a non-disclosure agreement for disclosure of information contained in Attachment A.

## **B. Response to Request (2)**

In response to this request, the CAISO is providing to the Commission spreadsheets showing the CAISO's calculations of the resettlement principal and interest amount for each market participant. Due to the voluminous nature of the

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<sup>6</sup> The attached spreadsheet shows the net and gross interest amounts for both start-up costs and minimum load costs.

<sup>7</sup> See, e.g., *ISO New Eng. Inc.*, 169 FERC ¶ 61,015, at PP 16-18 (2019); *ISO New Eng. Inc.*, 161 FERC ¶ 61,061, at PP 16-17 (2017).

data, the CAISO is providing these spreadsheets solely on CD-ROMs included with this filing.<sup>8</sup>

For the same reasons explained above, pursuant to 18 C.F.R. § 388.112 the CAISO respectfully requests privileged treatment for the entirety of the data contained on the CD-ROMs. The CAISO also requests waiver of any requirement to submit a form of non-disclosure agreement in this proceeding for disclosure of information contained on the CD-ROMs.

### **C. Response to Request (3)**

In the 2014 refund report, the CAISO identified a calculation error in the allocation of resettlement costs. Correcting this error resulted in a \$22.9 million shift from system and local to zonal cost allocation.

The difference between the revised total of \$217 million in resettlement costs (exclusive of interest) stated in the 2014 refund report and \$220.5 million (*i.e.*, the sum of \$197.6 million in total resettlement costs stated in the 2013 refund report and the \$22.9 million cost shift) is \$3.5 million, which represents the net impact to market participants of the \$22.9 million cost shift correction. When re-allocating the costs from system and local to zonal, each market participant's net impact varies based on its individual metered value.

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<sup>8</sup> The CAISO is physically filing the CD-ROMs with the Commission on the same day it is electronically submitting all of the other components of this filing.

### III. Conclusion

For the reasons explained above and in the Compliance Filing, the CAISO requests that the Commission accept the Compliance Filing, as supplemented by the June 22 Deficiency Response and this response; and (2) grant privileged treatment and waive the requirement to submit a non-disclosure agreement for the information contained in Attachment A hereto and the CD-ROMs provided with this filing.

Respectfully submitted,

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**Attachment A – Public Version**

**PRIVILEGED INFORMATION OMITTED PURSUANT TO 18 C.F.R. § 388.112**

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**California Independent System Operator Corporation**

**September 24, 2020**

## 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, pursuant to the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, DC this 24th September, 2020.

/s/ Daniel Klein  
Daniel Klein  
Davis Wright Tremaine LLP