

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

**California Independent System            )           Docket No. ER18-2034-000  
Operator Corporation                    )**

**MOTION FOR LEAVE TO FILE ANSWER AND ANSWER OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO  
ANSWER TO ANSWER**

The California Independent System Operator Corporation (CAISO)<sup>1</sup> files a limited answer in response to the Motion for Leave to Answer and Answer of DC Energy, LLC and Vitol Inc. (DC Energy/Vitol) filed on September 5, 2018.<sup>2</sup> DC Energy/Vitol's answer is an answer to the answers filed by the CAISO and Pacific Gas and Electric Company (PG&E). The Commission should reject the DC Energy/Vitol Answer to Answer because it does not add any information that facilitates the Commission's decision-making process, it does not aid in the explanation of the issues, and it does not help develop the record. Instead, DC Energy/Vitol's Answer to Answer attempts to confuse the record and obscure the adverse consequences of DC Energy/Vitol's requests. The July 17 Tariff Amendment improves the efficiency and performance of the CAISO's congestion revenue rights (CRR) processes and the Commission should accept the tariff amendment as filed so that the CAISO can implement the improvements in time to provide necessary relief to ratepayers for the 2019 CRR year. If the Commission does accept DC Energy/Vitol's Answer to Answer, the Commission

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in appendix A to the CAISO tariff.

<sup>2</sup> Motion for Leave to Answer and Answer of DC Energy, LLC and Vitol Inc., FERC Docket No. ER18-2034-000, (Sept. 5, 2018) (DC Energy/Vitol Answer to Answer).

should also accept this Answer.

## **I. Motion for Leave to File Answer**

Pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure,<sup>3</sup> the CAISO respectfully requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer DC Energy/Vitol's Answer to Answer filed in the proceeding. Good cause for the waiver exists 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.<sup>4</sup>

## **II. Answer**

DC Energy/Vitol assert that the Commission must accept the DC Energy/Vitol Answer to Answer because the CAISO misunderstands DC Energy/Vitol's position. This is not correct. The CAISO understands the DC Energy/Vitol proposal very well as their proposal was discussed during the stakeholder process and has been further considered in this proceeding based on lengthy information provided in their protest.<sup>5</sup> The CAISO not only understands the DC Energy/Vitol proposal but it has provided important information that explains the adverse consequences of the DC Energy/Vitol proposal. DC Energy/Vitol now attempt to obscure what is behind their proposal, and actually suggest a slightly different angle that would force the CAISO to

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<sup>3</sup> 18 C.F.R. §§ 385.212, 385.213.

<sup>4</sup> 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 Servs., Inc.*, 124 FERC ¶ 61,011 at P 20 (2008).

<sup>5</sup> See Protest of DC Energy/Vitol, FERC Docket No. ER18-2034-000 (Aug. 7, 2018).

unduly discriminate against CRR holders that hold similar counterflow CRRs.

There is a key fact that DC Energy/Vitol asks the Commission to overlook. The key fact is that in order to effectuate their proposal to apply “constraint-by-constraint underfunding to market participants based on net prevailing flow”<sup>6</sup> (*i.e.*, apply the underfunding accounting to the CRR holder on its “prevailing flow after netting counterflow”), the CAISO would be required to scale the counterflow CRR entitlement so that counterflow entitlement would be charged less than it would have been based on its original CRR entitlement. The CAISO illustrated why this is so in its July 17 Tariff Amendment and its answer and does not repeat those explanations here.<sup>7</sup> The CAISO’s explanation of what is behind DC Energy/Vitol’s proposal is not an “oversimplification,” rather, it is an exact illustration of how “portfolio netting” would be accomplished when accounting for the day-ahead market revenue insufficiency on a constraint-by-constraint basis rather than in the aggregate as PJM Interconnection LLC (PJM) accounts for its revenue insufficiency. This is a fundamental difference between the CAISO methodology and the PJM methodology cited in DC Energy/Vitol’s Answer, which DC Energy/Vitol asks the Commission to overlook.

The CAISO and PG&E also previously explained why scaling the counterflow is not just and reasonable and the CAISO will not repeat those

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<sup>6</sup> DC Energy/Vitol Answer to Answer at p. 4.

<sup>7</sup> Tariff Amendment of the CAISO, FERC Docket No. ER18-2034-000, at 32 and Attachment I (July 17 Tariff Amendment); Answer of the CAISO to Comments and Protests, FERC Docket No. ER18-2034-000 at 31-37 (Aug. 23, 2018) (CAISO Answer).

explanations here.<sup>8</sup> DC Energy/Vitol actually agree with the CAISO and PG&E regarding these “undesirable” results.<sup>9</sup> But DC Energy/Vitol now “clarify” that their proposed treatment is to be applied only to those CRR holders that hold “both the positive and negative positions on the same underfunded constraint.”<sup>10</sup>

Accepting DC Energy/Vitol’s clarified proposal requires that the Commission ignore another key fact. DC Energy/Vitol suggest that a market participant holding both prevailing flow and counterflow CRRs on the same underfunded constraint provides some benefit to the CRR market. This is false. The fact is that when the CRR market releases prevailing flow and counterflow CRRs, it does not consider or “pair up” the counterflow CRRs it releases to the prevailing flow held by a specific market participant. The CRR market conducts a simultaneous feasibility test (SFT) and determines the amount of counterflow that allows for the release of prevailing flow CRRs as a whole. It is entirely possible that a market participant may hold the prevailing flow CRR that is enabled in the SFT by another market participants counterflow CRR. In fact, it is possible that multiple market participants hold counter flow CRRs that enable that single prevailing flow CRR, and that a single market participant’s counter flow enables multiple participants’ prevailing flow. The fact that one market participant might have paired CRRs adds no specific value and has no meaning in the SFT. DC Energy/Vitol do not attempt to dispute this fact. Instead, they simply offer the

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<sup>8</sup> See, e.g., July 17 Tariff Amendment at 32; CAISO Answer at 31-37.

<sup>9</sup> DC Energy/Vitol Answer to Answer at 5.

<sup>10</sup> *Id.*

Commission that it must “preserve the logical properties of CRRs,”<sup>11</sup> which the CAISO and PG&E clearly established cannot apply when the CAISO is considering accounting for the revenue insufficiency on a constraint-by-constraint basis.

DC Energy/Vitol further attempt to obscure the impact of their proposal by suggesting that it will not reduce counter flow CRR capacity. There is not an infinite amount of funds to cover the revenue insufficiency. If the CAISO were to scale only the counterflow CRRs held by the same market participant that holds prevailing flow on an underfunded constraint, the CAISO will have to capture those funds from elsewhere. If the CAISO scaled the counterflow CRRs as suggested by DC Energy/Vitol, it would mean that the holders of prevailing flow CRRs must cover the difference. The CAISO explained in its July 17 Tariff Amendment and in the CAISO Answer, this is not just and reasonable because it would require the CAISO to further underpay prevailing flow CRRs, pay holders of counterflow CRRs more than the capacity entitlement issued in the CRR market, and provide some CRRs more of a hedge than needed to hedge actual day-ahead congestion between two points.<sup>12</sup>

Finally, although DC Energy/Vitol concede that they are not asking the Commission to consider the PJM cases on the bases of *stare decisis*, they nevertheless ask the Commission to apply the same reasoning they used in the PJM case to the CAISO case.<sup>13</sup> That argument is flawed. Any lessons learned

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<sup>11</sup> *Id.* at 10.

<sup>12</sup> See, e.g., July 17 Tariff Amendment at 32; CAISO Answer at 31-37.

<sup>13</sup> DC Energy/Vitol Answer to Answer at 11-12.

from the PJM cases must be considered differently here because PJM accounts and allocates the revenue insufficiency very differently than the CAISO is proposing to do so here. Therefore, any lessons from the PJM case do not directly lend support to DC Energy/Vitol's argument here. There is simply no precedence that lends support to the conclusion that the Commission must apply portfolio based netting in this proceeding.

Finally, DC Energy/Vitol raise concerns regarding transparency. The CAISO has already included in its proposed tariff that, in addition to all the data it already posts, it will make available "information on adjustments to Notional CRR Values based on collection of Transmission Constraint-specific congestion revenue pursuant to Section 11.2.4."<sup>14</sup> The CAISO is not suggesting in any way, as presented by DC Energy/Vitol, that *only* the data already in the public arena suffices. Nevertheless, if the information the CAISO will provide does not satisfy DC Energy/Vitol, the CAISO already continuously receives requests for additional information from market participants and prioritizes these requests to ensure market participants have the data they need to participate in the CAISO market. The CAISO is always open to providing the information needed if it is in fact needed, there are measures to protect any data sensitivities, and the burden to provide the data does not outweigh the benefit of publication. DC Energy/Vitol's transparency issues are not an integral part of the CAISO proposal and the CAISO and market participants can continue to work on improving transparency even after the changes are implemented.

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<sup>14</sup> See Proposed Section 6.5.1.3.2 (c).

### III. Conclusion

For the foregoing reasons, the Commission should accept the tariff revisions contained in the July 17 Tariff Amendment without condition or modification.

Respectfully submitted,

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Dated: September 7, 2018

## 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 Folsom, California, this 7<sup>th</sup> day of September, 2018.

/s/ Grace Clark  
Grace Clark