



California ISO

SETTLEMENTS BULLETIN

Amendment 60 and Reliability Capacity Services Tariff Interest Calculations

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Revision History

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- Note:** *This Settlements Bulletin provides information concerning the interest settlement of two remaining legacy tariff amendments as required by FERC orders in the Amendment 60 proceeding and the Reliability Capacity Services Tariff proceeding. Additional background information published in 2014 is available at the following link: http://www.caiso.com/Documents/Amendment60-OtherLegacyReruns_ReferenceMaterial-SchedulingCoordinators.pdf.*

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Purpose

The purpose of this bulletin is to provide an overview of: (1) the interest calculations associated with the Amendment 60 minimum load cost adjustments and start-up cost adjustments; and (2) the interest calculations associated with the Reliability Capacity Services Tariff (RCST) revenues. As explained below, with respect to the Amendment 60 interest adjustments, the ISO has paused the settlement and invoicing of these adjustments at the direction of the Federal Energy Regulatory Commission (“Commission” or “FERC”), pending a Commission decision on the ISO’s compliance filings.

Amendment 60

Background

As part of the Commission proceeding on Amendment 60 to the ISO tariff (Docket No. ER04-835), the ISO proposed to modify the allocation of minimum load costs, and proposed no changes with respect to start-up or emissions costs. In 2006, however, the Commission directed the ISO to allocate start-up and emissions costs the same way as minimum load costs.

On December 30, 2013, the ISO filed an “Informational Refund Report of the California Independent System Operator Corporation” (“December 2013 Report”), which provided recalculation amounts for the refund period established by the Commission (i.e., July 17, 2004 through March 31, 2009, after which date the ISO implemented its current market design). On May 12, 2014, the ISO filed an updated “Informational Report of the California System Operator Corporation Concerning Status of Settlement Adjustments” (“May 2014 Report”) with an updated recalculation. The May 2014 Report stated that the ISO would be issuing invoices on a total resettlement amount of \$217 million, with the majority of the resettlement associated with the minimum load cost reallocation. The ISO issued Amendment 60 resettlement invoices on June 19, 2014 and performed market clearing for the invoices on June 26, 2014. At the time, the ISO intended to invoice interest associated on the Amendment 60 resettlement, but due to pending protests, the ISO decided to defer invoking interests pending on the Commission’s orders in response to pending protests. On August 28, 2019, the Commission issued an order on rehearing that: (1) accepted the December 2013 and May 2014 Reports; (2) found that it was appropriate for the ISO to perform the 2014 resettlement; and (3) apply interest on the resettlement consistent with section 35.19a of the Commission’s regulations (18 C.F.R. § 35.19a).

In response to the third of these Commission directives, the ISO has calculated the interest on the minimum load cost (MLCC) adjustments and start-up cost (SUC) adjustments associated with Amendment 60, using the applicable quarterly interest rates determined pursuant to section 35.19a of the Commission’s regulations. The calculated interest amounts include interest on the unpaid interest for the MLCC and SUC made in 2014 plus additional interest on the unpaid interest from 2014 through March 31, 2020. The ISO was prepared to invoice market participants for the interest amounts.

However, on April 3, 2020, the Commission issued an order directing the ISO to refrain from resettling its market until the Commission had issued an order accepting compliance filings the ISO had submitted in the Amendment 60 proceeding. Accordingly, the ISO 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. In response to those compliance filings, FERC has issued a deficiency letter requesting additional information, which the ISO submitted on June 22, 2020.

Amendment 60 Interest Calculation

To calculate interest, the ISO used the same process for both the MLCC and the SUC, so the interest calculation is described below as a single Amendment 60 adjustment. The ISO calculated the interest associated with the Amendment 60 adjustment using a two-step process: (1) calculation of interest on the MLCC and SUC adjustments invoiced on June 19, 2014; and (2) calculation of interest on the interest due or owed as of June 19, 2014 that was scheduled to be invoiced on March 31, 2020. The ISO explains each of these two steps below and also provides tables that illustrate how the ISO applied the steps to determine resettlements for four scheduling coordinators, with the names of the scheduling coordinators masked to prevent disclosure of their financial information.

1. Interest calculation on Amendment 60 adjustment:
 - a. For each trading month, the ISO determined each scheduling coordinator’s MLCC adjustment amount and/or SUC adjustment amount for that trading month.
 - b. For each trading month, the ISO identified the invoice date of the final settlement invoice.
 - c. The ISO obtained the FERC interest rate (i.e., the interest rate determined pursuant to section 35.19a of the Commission’s regulations) for each quarter for calendar period for 2004 through 2014.
 - d. The ISO converted each quarterly interest rate into a daily interest rate.
 - e. For the calendar period between the final settlement invoice and the Amendment 60 resettlement invoice, the ISO applied the appropriate quarterly interest rate to each scheduling coordinator’s MLCC and SUC adjustment for each given trading month.
 - f. The ISO calculated the interest due as of June 26, 2014 as the difference between (i) the Amendment 60 adjustment amount plus interest and (ii) the Amendment 60 adjustment amount.

Table1: Interest Calculation on Amendment 60 adjustment						
Trade Month =	Jul-04	Qtrly Calc	Qtrly Calc		Qtrly Calc	Qtrly Calc
Initial Invoice Due Date =	30-Sep-04	31-Dec-04	31-Mar-05		31-Mar-14	26-Jun-14
FERC Qtrly Int Rate		4.22%	4.75%		3.25%	3.25%

Daily Int Rate		0.01156%	0.01301%	0.00890%	0.00890%	
Days from Revenue Receipt Date		92	90	90	87	
Jul-04	Adjustment Amount	Adj Amt plus Q4 2004 Int	Adj Amt plus Q1 2005 Int	Adj Amt plus Q1 2014 Int	Adj Amt plus Q2 2014 Int	Interest as of Jun 26th, 2014
ABCD	5,455.00	\$ 5,513.02	\$ 5,577.59	\$ 8,609.72	\$ 8,676.42	\$ 3,221.42
WXYZ	55,456.00	\$ 56,045.87	\$ 56,702.30	\$ 87,527.19	\$ 88,205.23	\$ 32,749.23
EFGH	(25,025.00)	\$(25,291.18)	\$(25,587.40)	\$(39,497.40)	\$(39,803.37)	\$(14,778.37)
MNOP	(35,886.00)	\$(36,267.71)	\$(36,692.49)	\$(56,639.51)	\$(57,078.27)	\$(21,192.27)
Grand Total		-	-	-	-	-

2. Interest calculation on unpaid Interest due as of June 26, 2014:
 - a. For each trading month, the ISO determined each scheduling coordinator's interest due or owed as of June 26, 2014.
 - b. The ISO obtained the FERC interest rate for each quarter for calendar period for 2014 through 2020.
 - c. The ISO converted each quarterly interest rate into a daily interest rate.
 - d. For the calendar period between the Amendment 60 resettlement invoice and the proposed Amendment 60 interest invoice date (March 31, 2020), the ISO applied the appropriate quarterly interest rate to each scheduling coordinator's interest amount due or owed for each given trading month.
 - e. The final interest due or owed to/from each scheduling coordinator is the final interest amount calculated as of March 31, 2020.

Table 2: Interest Calculation on Amendment 60 Interest

	Jul-04	Qtrly Calc	Qtrly Calc	Qtrly Calc	Qtrly Calc	
A-60 Resettlement Invoice Date	Jun-26-14	30-Jun-14	30-Sept-15	31-Dec-19	31-Mar-20	
FERC Qtrly Int Rate		3.25%	3.25%	5.42%	4.96%	
Daily Int Rate		0.00890%	0.00890%	0.01485%	0.01359%	
Days from Revenue Receipt Date		4	92	92	91	
Jul-04	Interest Due as June 26, 2014	Q2 2014 Int	Q3 2014 Int	Q4 2019 Int	Q1 2020 Int	Total Interest
ABCD	\$ 3,221.42	\$ 3,222.57	\$ 3,248.97	\$ 4,015.12	\$ 4,064.77	\$ 4,064.77
WXYZ	\$ 32,749.23	\$ 32,760.89	\$ 33,029.26	\$ 40,818.03	\$ 41,322.79	\$ 41,322.79
EFGH	\$(14,778.37)	\$(14,783.63)	\$(14,904.74)	\$(18,419.49)	\$(18,647.27)	\$(18,647.27)
MNOP	\$(21,192.27)	\$(21,199.82)	\$(21,373.49)	\$(26,413.66)	\$(26,740.29)	\$(26,740.29)
Grand Total		-	-	-	-	-

As shown in Table 1 and Table 2 above, using the two-step process resulted in interest owed or owing for each scheduling coordinator. For example, scheduling Coordinator ABCD owes \$4,064.77 in interest as calculated based on a \$5,455.00 Amendment 60 adjustment invoiced on June 26, 2014.

Reliability Capacity Services Tariff

Background

On August 18, 2009, the Commission FERC issued an order on remand in Docket No. EL05-146 that directed sellers of “eligible capacity” to refund all RCST revenues collected from June 1, 2006 to February 13, 2007, and to file refund reports on compliance. The affected sellers of eligible capacity were directed to pay the refunds to the ISO with interest calculated at the interest rate set forth in section 35.19a of the Commission’s regulations. The scheduling coordinators impacted by the Commission’s directives are divided into three categories:

- Category 1: Scheduling coordinators that were parties to the RCST docket and owed refunds that filed refund reports with the Commission detailing both the refunds and the interest they owed, and then paid the refunds and interest to the ISO in 2009.
- Category 2: Scheduling coordinators that were parties to the RCST docket and owed refunds that filed refund reports with the Commission detailing the refunds but not the interest they owed, and then paid the refunds to the ISO.
- Category 3: Other scheduling coordinators that were owed refunds but were not parties to the RCST docket. These scheduling coordinators did not pay refunds or interest to the ISO until the June 2014 invoicing.

RCST Interest Calculation

1. For those scheduling coordinators that paid interest to the ISO when they filed refund reports with the Commission (i.e., Category 1), the total interest received by the ISO is shown in the table below (again, with the identities of the relevant scheduling coordinators being masked in the this and the following tables).

BAID	Name	Interest Received
1	ABCD	\$ 920,436.92
2	BCDE	\$ 571,323.14
3	CDEF	\$ 55,014.40
4	DEFG	\$ 223,809.47
Total		\$ 1,770,583.93

As of March 31, 2020, interest earned from the ISO trust account is \$211,398.84.

- For those scheduling coordinators that have not paid interest (i.e., Category 2), the ISO will calculate their interest in two parts. First, the ISO will calculate interest at the FERC interest rate from the date they received the RCST payments that are subject to refund in 2009. Second, the ISO will calculate the interest on interest from November 2009 to March 31, 2020. These calculations are illustrated in the tables shown below.

Name	Month	Preliminary Invoice Date	RCST's Reimbursed Amount on Nov. 24, 2009	Accumulated Interest to Nov 24, 2009	Interest on Interest to March 31, 2020	Total Interest
AABB	8/1/2006	11/1/2006	\$ 143,883.00	\$ 31,195.29	\$ 8,492.16	\$ 39,687.45
AABB	10/1/2006	1/4/2007	\$ 808.75	\$ 154.63	\$ 42.10	\$ 196.73
Total			\$ 144,691.75	\$ 31,349.92	\$ 8,534.26	\$ 39,884.18

Sample of interest calculation based on the FERC interest rate:

Trade Month	8/1/2006	QtrlyCalc	QtrlyCalc	QtrlyCalc	QtrlyCalc
Initial Invoice Due Date	01-Nov-06	31-Dec-06	31-Mar-07	30-Jun-07	24-Nov-09
FERC Qtrly Interest Rate		8.17%	8.25%	8.25%	3.25%
Daily Interest Rate		0.02238%	0.02260%	0.02260%	0.00890%
Days from Revenue Receipt Date		92	90	91	55
Interest Calculation	\$ 143,883.00	\$ 146,845.96	\$ 149,833.17	\$ 152,915.02	\$ 175,078.29

The interest from November 1, 2006 to November 24, 2009 = \$175,078.89 - \$143,883 = \$31,195.29.

Interest Through Nov. 24, 2009	\$ 31,195.29	QtrlyCalc	QtrlyCalc	QtrlyCalc	QtrlyCalc
		31-Dec-09	31-Mar-10	30-Jun-10	31-Mar-20
FERC Qtrly Interest Rate		3.25%	3.25%	3.25%	4.96%
Daily Interest Rate		0.00890%	0.00890%	0.00890%	0.01359%
Days from Revenue Receipt Date		37	90	91	91
Interest Calculation		\$ 31,298.06	\$31,548.88	\$31,804.51	\$39,687.45

The interest from interest from November 24, 2009 to March 31, 2020 = \$39,687.45 - \$31,195.29 = \$8,492.16.

- For other scheduling coordinators that are owed refunds but did not pay refunds or interest to the ISO until the June 2014 invoicing (i.e., Category 3), the ISO will calculate their interest in two parts. First, the ISO will calculate interest at the FERC interest rate from the date they received the RCST payments that are subject to refund in June 2014. Second, the ISO will calculate the interest on interest from June 2014 to March 31, 2020. These calculations are illustrated in the tables shown below.

Name	Month	Preliminary Invoice Date	RCST Settlement Amount	Accumulated Interest to June 2014	Interest on Interest to March 31, 2020	Total Interest
CCDD	6/1/2006	8/31/2006	\$ (58,874.47)	\$ 24,765.07	\$ 6,483.36	31,248.43
CCDD	7/1/2006	9/29/2006	\$ (62,658.74)	\$ 25,812.95	\$ 6,757.68	32,570.63
Total			\$ (121,533.21)	\$ 50,578.02	\$ 13,241.04	63,819.06

For scheduling coordinators in Category 3, the interest calculations are similar to the calculations for scheduling coordinators in Category 2 shown above.

Total RCST accumulated interest to be allocated:

1	SC paid interests	\$ 1,770,583.93
	Interest earned	\$ 211,398.84
2	SC refund RCST, but did not paid interest	\$ 39,884.18
3	SC did not refund nor paid interest	\$ 245,244.10
Total Accumulated Interest		\$ 2,267,111.05

RCST Interest Allocation:

The ISO will allocate the RCST accumulated interest pro-rata based on the total RCST reimbursement less any dispute adjustments.

For example:

If SC1 received a reimbursement of RCST in June 14, 2014 is \$10,000 and the total RCST reimbursement is \$20,000,000, SC1 will receive RCST accumulated interest as follows:

$$SC1 = -1 * ((\$10,000 / \$20,000,000) * 2,267,111.05) = -\$1,133.6.$$