

157 FERC ¶ 61,220  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

December 19, 2016

In Reply Refer To:  
California Independent System  
Operator Corporation  
Docket No. ER16-2707-000

California Independent System  
Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630

Attn: David S. Zlotlow

Dear Mr. Zlotlow:

1. On September 29, 2016, the California Independent System Operator Corporation (CAISO) submitted, pursuant to Rule 207 of the Commission's Rules of Practice and Procedure<sup>1</sup> and section 37.9.4 of the CAISO tariff, a Petition seeking Commission approval to distribute the penalty proceeds collected for violations of CAISO's Rules of Conduct and certain nonrefundable study deposits stemming from interconnection projects. As discussed below, we grant CAISO's Petition.<sup>2</sup>
2. CAISO explains that the Rules of Conduct and related provisions set forth in section 37 of its tariff require it to collect penalties and to deposit such amounts into an interest-bearing trust account. CAISO states that, after the end of each calendar year, it allocates these proceeds, with accrued interest, to the scheduling coordinators of eligible market participants in accordance with the formula set forth in section 37.9.4 of its tariff. CAISO states that the formula is based on the product of: (a) the amount in the trust account, including interest; and (b) the ratio of the grid management charge payments by each scheduling coordinator on behalf of eligible market participants to the total grid

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<sup>1</sup> 18 C.F.R. § 385.207 (2016).

<sup>2</sup> CAISO September 29, 2016 Petition at 1 (Petition).

management charge payments by all scheduling coordinators.<sup>3</sup> Further, CAISO explains that it must obtain the Commission's approval to distribute the penalty proceeds prior to any disbursement.<sup>4</sup>

3. CAISO also explains that the wholesale distribution tariffs for Southern California Edison Company, Pacific Gas and Electric Company (PG&E), and San Diego Gas & Electric Company require interconnection study deposits not reimbursed to the interconnection customer or otherwise applied to interconnection study costs be remitted to CAISO. Pursuant to CAISO tariff Appendix DD, section 7.6, those funds are to be handled pursuant to CAISO tariff section 37.9.4.<sup>5</sup>

4. In the instant Petition, CAISO seeks approval to distribute the proceeds from penalties assessed during the 2015 calendar year, plus accrued interest. In Attachment 1 of its Petition, CAISO sets forth the calculation of each scheduling coordinator's share of the penalty proceeds.<sup>6</sup> CAISO states that it assessed \$529,500 in penalties for 2015. CAISO explains that once it receives Commission approval to distribute the penalty proceeds, the final interest amount will be recalculated to correspond to the actual day on which the distribution will occur.<sup>7</sup>

5. CAISO also seeks approval to distribute the interconnection study funds for 2013, 2014, and 2015. In Attachments 2 through 4 of its filing, CAISO sets forth the calculation of each scheduling coordinator's share of the interconnection funds.<sup>8</sup> CAISO notes that it calculated the allocation based on the *pro rata* share of the grid management charge payments made by scheduling coordinators without accounting for whether a scheduling coordinator was assessed a financial penalty under section 37 of its tariff during the relevant calendar year, consistent with its past practices. CAISO states that the total interconnection funds are as follows: \$867,730 for 2013; \$1,098,102 for 2014; and \$294,304 for 2015. CAISO explains that similar to the distribution of penalty revenues, once it receives Commission approval to distribute the interconnection funds,

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<sup>3</sup> *Id.* at 2-3.

<sup>4</sup> *Id.* at 3 (citing CAISO, eTariff, section 37.9.4 Disposition of Proceeds (1.0.0)).

<sup>5</sup> *Id.* at 5-6.

<sup>6</sup> *Id.* at 4.

<sup>7</sup> *Id.* at 3.

<sup>8</sup> *Id.* at 5-6.

the final interest amount will be recalculated to correspond to the actual day on which the distribution will occur.<sup>9</sup>

6. Notice of CAISO's filing was published in the *Federal Register*, 81 Fed. Reg. 69,520 (2016), with interventions and protests due on or before October 20, 2016. PG&E submitted a timely motion to intervene. No comments or protests were filed. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2016), PG&E's timely, unopposed motion to intervene serves to make it a party to this proceeding.

7. We find that CAISO's proposal to distribute penalty proceeds to scheduling coordinators, as stated in Attachment 1 to its Petition, appears to be just and reasonable, and has not been shown to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. The methodology in CAISO's proposal is consistent with the relevant provisions in its tariff for allocating and distributing penalty proceeds to scheduling coordinators. Therefore, in accordance with section 37.9 of CAISO's tariff and consistent with prior Commission orders,<sup>10</sup> we grant CAISO's Petition to distribute penalty proceeds in accordance with Attachment 1, subject to CAISO's final interest calculation.

8. We also find that CAISO's proposal to distribute the interconnection proceeds to scheduling coordinators, as stated in Attachments 2-4 of its Petition, appears to be just and reasonable, and has not been shown to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. The methodology in CAISO's proposal is consistent with section 37.9 of the tariff (i.e., the distribution is in proportion to the grid management charge), with the exception noted by CAISO (i.e., not accounting for whether a scheduling coordinator was assessed a financial penalty under section 37 of its tariff during the relevant calendar year). Also, our acceptance here is consistent with the Commission's disposition of prior CAISO filings where it proposed to distribute forfeited interconnection funds, with interest, pursuant to section 37.9 without accounting for whether or not a scheduling coordinator had been assessed a financial penalty under section 37 of the tariff during the relevant calendar year.<sup>11</sup> Therefore, in accordance with section 37.9 of CAISO's tariff and consistent with prior Commission orders, we grant

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<sup>9</sup> *Id.* at 6.

<sup>10</sup> See *Cal. Indep. Sys. Operator Corp.*, 154 FERC ¶ 61,127 (2016); *Cal. Indep. Sys. Operator Corp.*, 151 FERC ¶ 61,099 (2015); *Cal. Indep. Sys. Operator Corp.*, 145 FERC ¶ 61,222 (2013).

<sup>11</sup> See *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,272 (2014); *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,231, at P 25-29 (2014).

CAISO's Petition to distribute penalty proceeds in accordance with Attachments 2-4, subject to CAISO's final interest calculation.<sup>12</sup>

By direction of the Commission.

Kimberly D. Bose,  
Secretary.

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<sup>12</sup> CAISO may find it appropriate to propose a tariff revision to clarify the exception that applies to the distribution of these funds in section 37 of its tariff.