

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

California Independent System  
Operator Corporation

Docket No. ER15-2565-000

**MOTION TO INTERVENE AND PROTEST  
OF THE WESTERN POWER TRADING FORUM**

Pursuant to Rules 211, 212, and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (the “Commission”),<sup>1</sup> the Western Power Trading Forum (“WPTF”) submits this motion to intervene and protest of the California Independent System Operator Corporation (“CAISO”) proposed Tariff Amendment to Implement a Transition Period.<sup>2</sup>

**I. COMMUNICATIONS**

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<sup>1</sup> 18 C.F.R. § 385.211 et seq. (2010).

<sup>2</sup> *Cal. Indep. Sys. Operator Corp.*, Tariff Amendment to Implement Transition Period Pricing for Energy Imbalance Market. ER15-2565-000, (filed August 28, 2015) (“Transition Proposal”).

## **II. MOTION TO INTERVENE IN DOCKET ER15-2565-000**

WPTF is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports development of competitive markets throughout the West and of uniform rules to facilitate transactions among market participants. The membership of WPTF includes energy service providers, scheduling coordinators, generators, power marketers, financial institutions, energy consultants, and public utilities, all of which participate actively in the California market and other such markets in the West and across the country. WPTF's intervention in this proceeding is in the public interest. WPTF's interests will not be adequately represented by any other party. WPTF therefore respectfully requests that this motion to intervene be granted.

## **III. BACKGROUND**

The CAISO filed a petition for limited waiver on November 13, 2014, seeking suspension for 90 days of certain tariff pricing parameters of the Energy Imbalance Market ("EIM") that the Commission had previously approved effective November 1, 2014. Since that time, the record on the CAISO's penalty price relaxation proposals has been extensive, and WPTF has participated at each step along the way. On January 15, 2015, the CAISO submitted its Transition Proposal, proposing to extend the waiver conditions through the EIM's first 12 months of operations, to further relax flexible ramping constraint ("FRC") prices and to provide the same transition proposal for each subsequent EIM for a 12-month period (12-month Price Relaxation Proposal).<sup>3</sup> WPTF submitted extensive comments in response to the CAISO's filing

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<sup>3</sup> *Cal. Indep. Sys. Operator Corp.*, Tariff Amendment to Implement Transition Period Pricing for Energy Imbalance Market. ER15-861-000, (filed January 15, 2015) ("12-month Price Relaxation Proposal").

in March of 2015, the Commission responded to the concerns expressed by WPTF, Powerex and other parties, by rejecting the CAISO's proposal to implement a 12-month waiver of regular tariff pricing provisions for each new EIM and directed the CAISO to participate in a technical conference.<sup>4</sup> That conference ultimately led to the CAISO's proposal to count capacity not bidding into the EIM as available ("Available Capacity" proposal) before triggering scarcity pricing.<sup>5</sup> In parallel, the CAISO initiated actions to develop extensive EIM readiness criteria,<sup>6</sup> was directed by FERC to file such criteria as tariff language,<sup>7</sup> and filed such proposed language on August 18, 2015.<sup>8</sup>

#### **IV. COMMENTS AND PROTEST**

WPTF strongly supports regionalization of organized markets in the West. However, WPTF does not support doing so in a manner that makes extensive use of non-market measures. WPTF argued in its Transition Pricing Protest that the Commission should not extend automatically the waiver conditions to other EIMs. FERC listened to commenters and required the CAISO to detail the drivers of the price spikes.<sup>9</sup> Despite putting in place rigorous testing and readiness practices, and despite seeking authority to protect against the most significant ongoing

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<sup>4</sup> Order Rejecting Proposed Tariff Revisions, Instituting A Section 206 Proceeding, Granting Extension of Waiver and Directing Compliance Filing and Informational Reports, Order Docket Nos. ER15-861-000 & ER 15-53-000 March 16, 2015 ("Transition pricing order").

<sup>5</sup> *Cal. Indep. Sys. Operator Corp.*, Tariff Amendment in Compliance with July 20, 2015, Order Docket Nos. ER15-861-000 & EL15-53-000. (Filed August 19, 2015) ("Available Capacity Filing").

<sup>6</sup> *Cal. Indep. Sys. Operator Corp.*, Comments. ER15-861-002, (May 16, 2015).

<sup>7</sup> July 21, 2015 Order.

<sup>8</sup> *Cal. Indep. Sys. Operator Corp.*, Comments. ER15-861-004, (August 28, 2015).

<sup>9</sup> Order Rejecting Proposed Tariff Revisions, Instituting A Section 206 Proceeding, Granting Extension of Waiver and Directing Compliance Filing and Informational Reports, ER15-861-000, ER 15-53-000 March 16, 2015, page 1.

driver of price spikes the CAISO continues to want to avoid application of market results to the EIM areas for six or more months.

WPTF reemphasizes the points of our Transition Proposal Protest.

- Go-live should be predicated on success metrics, not an artificial calendar date, even if such an approach delays go live by six months or even a year. With a deliberate and comprehensive market simulation, the CAISO, EIM Entity and EIM Participants can observe and experience scenarios reflecting seasonal differences (a justification the CAISO offers for its 12 month Transition Proposal<sup>10</sup>) during simulations.
- The use of a region-wide forward index price is not appropriate to measure the “right” price for a particular EIM geographic area’s real-time price, as the ISO has again tried to suggest in its August 15 Price Relaxation filing, Figure 1.<sup>11</sup>
- The CAISO must ensure that workable and robust flexible ramping requirements are established for each EIM region. The CAISO and other parties continue to point to reduced ramping reserve needs in each EIM to demonstrate that the EIM is providing benefits. However, the quid pro quo for these benefits appears to be more volatile energy prices. The Commission should not allow the CAISO to simply mask the price volatility via artificial price suppression.

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<sup>10</sup> Transition Proposal, pp. 12 and 17.

<sup>11</sup> WPTF Protest, pp. 6-7

- EIM Entities must open their borders up to EIM participation at the EIM boundaries. The CAISO continues to vacillate on making this a requirement of EIM entities, yet asks for penalty price relaxation when supplies are short.<sup>12</sup>
- The CAISO price suppression compromises the integrity of its markets. Further, doing so has the practical effect of transferring the responsibility for customer rate design and hedging from market participants to the CAISO, thereby also undermining the bilateral market. The CAISO's role should be to establish market rules that result in efficient markets.

WPTF finds it ironic that we need to comment on the sufficiency of the CAISO's EIM readiness criteria<sup>13</sup> and the separate CAISO proposal to relax penalty prices for six months, on the very same day. The CAISO argues that the proposed readiness criteria will show that the new market has been thoroughly tested and is ready for implementation, yet simultaneously argues that the available capacity proposal is needed because available capacity isn't participating, and that penalty price relaxation is still needed for unknown or unspecified reasons that may arise. The CAISO has not demonstrated that the benefit of the protection from some yet unidentified situation that may cause a "false" peak in prices would exceed the cost of all the possible legitimate peak prices that the proposed relaxation would suppress.

The solution herein is simple. The CAISO and the EIM Entities should work collectively to design good EIM rules and operating requirements, thoroughly exercise that market design in a test environment, and only start the EIM markets when the market design has proven accurate and resilient under a wide variety of simulation "stress tests." We urge the Commission to

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<sup>12</sup> WPTF Protest, pp. 7-8

<sup>13</sup> *Cal. Indep. Sys. Operator Corp.*, Comments. ER15-861-004, (August 28, 2015).

decline the CAISO's request to relax prices in the first instance as proposed with each new EIM Entity go-live and thereby not support the CAISO's proposed practice of relaxing prices as the proper means to "protect ratepayers."

**V. COMMENTS AND PROTEST**

WPTF requests that the Commission reject the CAISO's Price Relaxation proposal for reasons indicated above.

Respectfully submitted,



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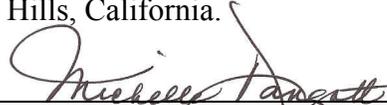
Attorney for the  
**WESTERN POWER TRADING FORUM**

September 18, 2015

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of the *Motion to Intervene and Protest of the Western Power Trading Forum* on all parties of record in proceeding *ER15-2565-000* by serving an electronic copy on their email addresses of record and by mailing a properly addressed copy by first-class mail with postage prepaid to each party for whom an email address is not available.

Executed on September 18, 2015, at Woodland Hills, California.

  
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Michelle Dangott

**SERVICE LIST ER15-2565-000**

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