

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

Offer Caps in Markets Operated by Regional Transmission Organizations and Independent System Operators)))))	Docket No. RM16-5-000
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COMMENTS OF THE ISO/RTO COUNCIL

The ISO/RTO Council (IRC)¹ submits the following comments in response to the Federal Energy Regulatory Commission (Commission) Notice of Proposed Rulemaking (NOPR) issued in this docket on January 21, 2016, proposing to revise the Commission’s regulations to require that each Regional Transmission Organization (RTO) and Independent System Operator (ISO) cap a resource’s incremental energy offer to the higher of \$1,000/MWh or that resource’s verified cost-based incremental energy offer. Each of the IRC members will be submitting separate comments in addition to these IRC comments. The IRC limits these comments to (1) noting the importance of uniformity on the treatment of offer caps at least as to contiguous markets, and (2) requesting that the Commission provide for adequate regional flexibility in the implementation of the proposed offer cap, including what constitutes “verified cost-based incremental energy offers.”

¹ The IRC is comprised of the Alberta Electric System Operator (AESO), California Independent System Operator (CAISO), Electric Reliability Council of Texas (ERCOT), the Independent Electricity System Operator of Ontario, Inc. (IESO), ISO New England, Inc. (ISO-NE), Midcontinent Independent System Operator, Inc. (MISO), New York Independent System Operator, Inc. (NYISO), PJM Interconnection, L.L.C. (PJM), and Southwest Power Pool, Inc. (SPP). The AESO, ERCOT, and IESO are not subject to the Commission’s jurisdiction in this regard and are not joining in these Comments.

I. COMMENTS

If the Final Rule requires ISOs and RTOs to verify incremental-cost-based bids, the Commission should ensure there is clear direction on what is permissible in terms of verification, yet ensure that such guidance is flexible enough so that each RTO and ISO can comply with the order based on what is feasible and appropriate within its specific market design, timelines, and circumstances. The Commission should consider the comments from each ISO and RTO in this regard and ensure that the Final Rule allows each ISO and RTO to comply with the order in a manner that is consistent with their circumstances, provided their regional context, and needs. A uniform verification process rule is not necessarily compatible with each ISO and RTO's market design and their respective market power mitigation regimes.

The IRC is concerned that a literal interpretation of "verification" could require verification of actual fuel invoices before the corresponding energy offer can be used for purposes of calculating Locational Marginal Prices. Such a verification requirement could involve a series of steps that may not be feasible to accomplish within the price calculation and posting time constraints of the respective markets. The Commission should clarify the intended goals of "verification" under this NOPR, as it relates to pre- and post-market clearing price setting processes. This clarification is necessary so the respective ISOs and RTOs and their stakeholders may better identify what processes currently in place support these goals and what challenges and concerns related to verification within the respective markets may need to be further considered under a potential final rule. Concerns may include the availability of evidence for verification,

such as actual invoices, and the potential volume of requests each ISO and RTO would need to verify.

Each ISO and RTO will be filing separate comments outlining whether, and pursuant to what means, they can comply with the NOPR should it become a Final Rule. The IRC urges the Commission to give due consideration to the individual ISO/RTO comments as potentially acceptable means to achieve the goals of the NOPR, and to generally provide for ISO/RTO market design flexibility in any Final Rule. Although the IRC believes any final rule in this proceeding should provide for adequate flexibility in terms of how the rule is implemented in the respective ISO/RTO regions, there are certain aspects of the rule where uniformity may be necessary to mitigate unintended consequences. Specifically, for all the reasons the Commission states in the NOPR, to the extent ISOs and RTOs share seams, the IRC agrees that the changes to the offer caps should be generic and applicable to all ISOs and RTOs that are neighbors. However, to be clear, the IRC does not believe providing flexibility in how each ISO and RTO complies with the verification requirements exacerbates the seams issues. Each ISO and RTO can have different methodologies for cost verification yet still maintain uniform pricing signals. This is no different from today within the \$1000/MWh cap limit. The ISO and RTOs do not all evaluate cost based or reference bids used for mitigation in the same way.

The IRC appreciates the opportunity to comment on the NOPR, and urges the Commission to ensure that the Final Rule in this matter duly considers the positions presented herein.

II. CONCLUSION

The IRC respectfully requests that the Commission consider these comments in this proceeding.

Respectfully submitted,

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Date: April 4, 2016

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with 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 4th day of April 2016.

/s/ Anna Pascuzzo

Anna Pascuzzo