

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

California Municipal Utilities Association,)	Docket No. EL01-1-000
Complainant,)	
)	
v.)	
)	
All Jurisdictional Sellers of Energy and Ancillary Services Into The Energy and Ancillary Services Markets Operated By the California Independent System Operator Corporation And the California Power Exchange;)	
)	
California Independent System Operator Corporation; and)	
)	
California Power Exchange Corporation,)	
Respondents.)	
)	
San Diego Gas & Electric Company)	Docket No. EL00-95-000
)	
Investigation of Practices of the California Independent System Operator and the California Power Exchange)	Docket No. EL00-98-000
)	
California Electricity Oversight Board)	Docket No. EL00-104-000
)	
Public Meeting in San Diego, California)	Docket No. EL00-107-000

(not consolidated)

**ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
TO COMPLAINT OF THE
CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION**

Pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213, and the Commission's October 11, 2000, Notice of Filing, the California Independent System Operator Corporation ("ISO")¹ hereby files its Answer to the Complaint of the California Municipal Utilities Association ("CMUA").

In its Complaint, CMUA requests that the Commission find that electricity markets in California "are not workably competitive, and order all jurisdictional sellers into the California ISO and [Power Exchange ("PX")] markets to tender cost-based filings."² CMUA further requests that its Complaint be consolidated with ongoing proceedings examining the appropriateness of the rates being charged in California's electricity markets.³ The ISO supports consolidation but, for the reasons described below, believes that it would be premature to prescribe particular relief at this time.

I. THE PRESENT PROCEEDING CAN PROPERLY BE CONSOLIDATED WITH ONGOING PROCEEDINGS CONCERNING THE SAME ISSUES

The ISO supports the consolidation of CMUA's complaint with the dockets identified in the caption. CMUA correctly observed that the various dockets share common issues and facts. Therefore, the Commission should render a decision in a single proceeding encompassing all of the consolidated dockets.

¹ Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² Complaint at 27.

³ *Id.*

II. IT WOULD BE PREMATURE TO GRANT THE REQUESTED RELIEF AT THIS TIME

The ISO shares many of the concerns expressed by CMUA as to the competitiveness of California's electricity markets. Nevertheless, the ISO believes that it would be premature for the Commission now to impose the particular resolution advocated by CMUA. CMUA itself acknowledges that its proposal is not without "difficulties." Complaint at 24. The difficulty of most concern to the ISO is the time-delay that might be attendant to any move to cost-based rates, particularly if a less contentious avenue is available. The ISO firmly believes that the interests of all parties and of California consumers would best be advanced by a consensual resolution of the complaints. If achievable, this might offer more comprehensive relief – that is, relief that constrains prices at times when the markets are not workably competitive while encouraging infrastructure investment – and accomplish it on the most expedited basis practicable.

To this end, the ISO, on October 20, 2000, filed a proposed Offer of Settlement and requested the appointment of a Settlement Judge and the convening of a technical conference. The objective was to facilitate development of a consensual resolution. While a specific proposal was offered, it was made clear that it was presented not as a *fait accompli*, but rather as a basis for a considered interchange among all affected constituencies. Modifications were invited explicitly and, in this spirit, the ISO would encourage consideration of the proposals of all participants, CMUA included. But the ISO does not believe that the goal it shares with

CMUA – that corrective measures be in place at the earliest possible date
– would be furthered by action on CMUA’s specific request, on the merits,
at this time.

Deferral of consideration of the relief sought by CMUA need not prejudice
the interest or position advanced by the CMUA or by any other party. The ISO
has asked for expedited action on its Offer of Settlement procedure and
reiterates that request herein. In the interim, the ISO intends to maintain its price
cap and, toward this end, on September 14, 2000, requested an extension of that
authority.

III. COMMUNICATIONS

Communications regarding this docket should be sent to the following
individuals, whose names should be entered on the official service list
established by the Secretary for this proceeding:

Charles F. Robinson
General Counsel
Roger E. Smith
Senior Regulatory Counsel
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, California 95630
Tel: (916) 608-7135
Fax: (916) 608-7296

Edward Berlin
Kenneth G. Jaffe
Michael E. Ward
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W.
Washington, D.C. 20007
Tel: (202) 424-7500
Fax: (202) 424-7643

IV. CONCLUSION

For the foregoing reasons, the ISO supports consolidation of the CMUA Complaint with ongoing proceedings concerning the same issues, but believes that it would be premature for the Commission to take any further action at this time.

Respectfully submitted,

Charles F. Robinson
General Counsel
Roger E. Smith
Senior Regulatory Counsel
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, California 95630

Edward Berlin
Kenneth G. Jaffe
Michael E. Ward
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007

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