

November 7, 2001

The Honorable David P. Boergers  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange  
Docket Nos. EL00-95-000, et al.**

Dear Secretary Boergers:

The California Independent System Operator Corporation ("ISO")<sup>1</sup> respectfully submits its filing in compliance with the Commission's October 23, 2001 "Order Accepting in Part and Rejecting in Part Portion of Compliance Filing Related to Outage Coordination," issued in the above-captioned dockets. *San Diego Gas & Electric Company, et al.*, 97 FERC ¶ 61,066 ("October 23<sup>rd</sup> Order").

## **I. BACKGROUND**

In its April 26, 2001 Order issued in this proceeding, the Commission held that the "ISO must be provided the authority to achieve greater systematic control over all units . . . that the ISO must dispatch, i.e., those units that have signed PGAs."<sup>2</sup> Accordingly, the Commission directed the ISO to make a tariff filing within 15 days of the April 26<sup>th</sup> Order proposing a mechanism for coordination and control of such outages, including periodic reports to the Commission, consistent with the discussion in the order.<sup>3</sup> On May 11, 2001, the ISO made its

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<sup>1</sup> Capitalized terms not otherwise defined herein are used in the meaning set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

<sup>2</sup> *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services in Markets Operated by the California Independent System Operator and the California Power Exchange, et al.*, 95 FERC ¶ 61,115, at 61,355 (2001) ("April 26<sup>th</sup> Order")

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

filing in compliance with the April 26<sup>th</sup> Order. The October 23<sup>rd</sup> Order represents the Commission's response to the ISO's May 11<sup>th</sup> compliance filing.<sup>4</sup>

## **II. TARIFF REVISIONS TO COMPLY WITH THE OCTOBER 23<sup>rd</sup> ORDER**

In the instant filing, the ISO proposes to amend its Tariff in compliance with the Commission's October 23<sup>rd</sup> Order conditionally accepting many of the ISO's proposed amendments. The Commission asked that the ISO modify its May 11<sup>th</sup> filing to add specificity and supporting procedures as well as to delete certain provisions contained in the proposed Tariff sheets. An explanation of the proposed revisions is provided in the following sections.

### A. Explanation and Reporting of Forced Outages

The ISO in its May 11<sup>th</sup> filing proposed to revise its Tariff provisions related to Forced Outages to include a requirement that within seven days of the Commencement of a Forced Outage, the Operator be required to provide a detailed explanation of the reason for the outage to the ISO. These Tariff modifications were offered under the requirement contained in the April 26<sup>th</sup> Order that mandated that the ISO closely monitor unplanned outages and immediately report questionable Outages to the Commission. The October 23<sup>rd</sup> Order, slip op. at 4, directed that the ISO substantially shorten the time line associated with the reporting of such Forced Outages by operators so that the ISO may report to the Commission within the seven day timeframe. The revised compliance filing attached hereto requires the Operator to report to the ISO within forty-eight hours of the occurrence of the Forced Outage the relevant facts for possible further investigation. This will allow the ISO adequate time to complete its analysis of the outage and report to the Commission items that require its attention. While the revised reporting period for the Operator to provide information to the ISO may seem brief, the ISO has created a reporting form to ease the burden and that is capable of computer transmission. The changes ordered by the Commission related to the outage reporting time lines can be found in revised Section 2.3.3.9.5 of the Tariff.

In the initial compliance filing following the April 26<sup>th</sup> Order, the revised Section 2.3.3.9.5 only required that the operator provide "a description of the equipment failure or other cause and a description of all remedial actions taken by the Operator." The Commission ordered that the ISO address "other" points that are important in analyzing whether an outage is "questionable." Hence, the Commission ordered, October 23<sup>rd</sup> Order, slip op. at 4, that the ISO list in Section 2.3.3.9.5 all of the specific factors that the ISO considers relevant to determine if a Forced Outage was intended to manipulate the market and require that those factors be addressed in the Operator's explanation of the Forced Outage.

The revised Section 2.3.3.9.5 attached hereto contains the list of the specific factors the ISO believes must be addressed by the Operator in the explanation of the questionable Forced Outage. This list has been developed from a series of interdepartmental meetings in which ISO upper-level managers provided direct input into the process of the development of the

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<sup>4</sup> As noted below, the ISO is submitting this filing strictly to comply with the October 23<sup>rd</sup> Order and reserves the right to seek clarification or rehearing of any aspect of that order.

analytical factors that are the determinants of outage related market manipulation. The basic components of the list are observed unusual operational factors and observed unusual market behavior that the ISO and the Operator will consider in their analysis of the Forced Outage. However, these analytical criteria are further broken into the more specific factors listed below.

- If the Forced Outage coincided with certain market conditions such that the Forced Outage may have influenced market prices or the cost of payments associated with out-of-sequence dispatches, out-of-market dispatches, or Real Time Market dispatches above the Marginal Proxy Clearing Price or Non-Emergency Clearing Price Limit, as applicable;
- If the Forced Outage coincided with a change in the bids submitted for any units or resources controlled by the Operator or the Operator's Scheduling Coordinator;
- If the ISO had recently rejected a request for an outage for, or to shut down, the Generating Unit experiencing the Forced Outage;
- If the timing or content of the notice of the Forced Outage provided to the ISO was inconsistent with subsequent reports of or the actual cause of the outage;
- If the Forced Outage or the duration of the Forced Outage was inconsistent with the history or past performance of the Generating Unit or similar Generating Units;
- If the Forced Outage created or exacerbated congestion;
- If the Forced Outage was extended with little or no notice;
- If the Operator had other alternatives to resolve the problems leading to the Forced Outage;
- If the Operator took reasonable action to minimize the duration of the Forced Outage; or
- If the Operator failed to provide the ISO an explanation of the Forced Outage within forty-eight (48) hours or failed to provide any additional information or access to the generating facility requested by the ISO within a reasonable time.

Each of the specific factors shown above relates to either a market based or operating related concern with respect to the Forced Outage. This list has been added directly to Section 2.3.3.9.5 of the Tariff. The ISO appreciates that the Commission is allowing the ISO to report questionable outages to the Commission. Whether reporting questionable outages to the Commission will help to ensure that subsequent Forced Outages are legitimate will largely depend on how the Commission responds to questionable outages. It is the ISO's hope that the Commission will take meaningful action against Operators it finds to have declared Forced Outages inappropriately.

#### B. Other Tariff Changes Required by the October 23<sup>rd</sup> Order

1. The ISO has modified the sections of the Tariff and Outage Coordination Protocol ("OCP") concerning "unduly significant market impacts" as described below. Prior to the filing of the May 11<sup>th</sup> compliance filing, the Tariff and OCP provided for measures that could be taken to avoid unduly significant market impacts with respect to Reliability

Must-Run Units or facilities that form part of the ISO Controlled Grid. These provisions were included in Amendment No. 25 to the ISO Tariff and the Amendment No. 25 compliance filing, and were approved (as modified) by the Commission.<sup>5</sup> In the May 11<sup>th</sup> compliance filing, the ISO proposed to extend the applicability of the provisions such that they would also apply to non-Reliability Must-Run Units. However, in the October 23<sup>rd</sup> Order, the Commission declined to permit this extension. October 23<sup>rd</sup> Order, slip op. at 5. Therefore, the ISO has modified the Tariff and OCP to specify that the provisions concerning unduly significant market impacts are applicable only with respect to Reliability Must-Run Units or facilities that form part of the ISO Controlled Grid.

2. In the October 23<sup>rd</sup> Order the Commission rejected the ISO's proposal to increase from 72 to 120 hours the advance notice required for generators to request either changes to a planned maintenance outage or a new maintenance outage. While the ISO believes that the additional time is reasonable when taken in the context of its expanded responsibility for the coordination of outages, it has modified the Tariff and OCP in accordance with the order.
3. In its May 11<sup>th</sup> compliance filing, the ISO included in certain sections a reference to the law of the state of California. The ISO has removed any and all such references from the Tariff pages that have been submitted with this revised compliance filing.

### **III. RESERVATION OF RIGHTS**

This filing represents the ISO's best efforts at complying with the Commission's October 23<sup>rd</sup> Order in the short amount of time permitted. In addition, the ISO has already identified a number of issues related to the October 23<sup>rd</sup> Order which may require clarification of modification. The ISO is continuing its evaluation of the impacts of the October 23<sup>rd</sup> Order and may address these issues in a separate motion for clarification and request for rehearing. The ISO reserves all rights to pursue issues on clarification and rehearing, notwithstanding its implementation of the directives of the October 23<sup>rd</sup> Order in this compliance filing.

### **IV. SUPPORTING DOCUMENTS**

The following documents, in addition to this letter, support this filing:

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| Attachment A | Revised Tariff sheets, incorporating the revised compliance changes;            |
| Attachment B | Black-lined Tariff provisions showing revisions related to outage coordination; |

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<sup>5</sup> See Transmittal Letter for Amendment No. 25 Filing, Docket No. ER00-1239-000 (Jan. 27, 2000), at 9; *California Independent System Operator Corporation*, 90 FERC ¶ 61,316, at 62,050-51 (2000); Transmittal Letter for Amendment No. 25 Compliance Filing, Docket No. ER00-1239-001 (Apr. 28, 2000), at 2-3; *California Independent System Operator Corporation*, 91 FERC ¶ 61,341, at 62,154-55 (2000).

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- Attachment C      A copy of the Forced Outage Reporting Requirement form; and
- Attachment D      A notice of filing, suitable for publication in the Federal Register  
                                 (also provided in electronic format).

Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

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