

arises. Several parties filed comments or protests to the ISO's filing.⁴ The ISO limits this answer to the comments of Southern California Edison Company in which it requests that the Commission direct the ISO to establish a minimum procurement requirement for regulation down in the NP-26 expanded sub-region. The ISO opposes SCE's requests and asks that the Commission issue an order accepting the ISO's proposed tariff changes no later than June 29, 2010, to allow sufficient time to implement scarcity pricing on July 7, 2010.

II. ANSWER

A. SCE's recommendation exceeds the scope of this initiative and runs afoul of the ISO approved tariff.

In its comments, SCE recommends that "the Commission require the CAISO to apply sub-regional regulation down procurement requirement in all ancillary service sub-regions, not just SP-26 expanded."⁵ The ISO currently has eight ancillary services sub-regions.⁶ The ISO understands SCE's primary concern is that if the ISO has minimum procurement requirements for regulation down in the SP-26 expanded sub-region it should also have such a minimum procurement requirement in the NP-26 expanded sub-region.

SCE's requested relief exceeds the scope of this proceeding. SCE's comments address the type and distribution of ancillary services the ISO

⁴ Southern California Edison Company (SCE), J.P. Morgan Ventures Energy Corporation and BE CA LLC filed comments. Western Power Trading Forum filed a protest.

⁵ Comments of SCE at p. 2.

⁶ ISO tariff at Section 8.3.3.

procures. The scope of this proceeding is to set administratively-determined prices for reserves in the event there is a scarcity condition and not to specify the location or minimum amount of ancillary services the ISO must buy.⁷

SCE's request is also not consistent with the ISO's tariff. The ISO's approved tariff currently recognizes that the ISO may procure ancillary services beyond those required to satisfy national and regional reliability standards as the ISO determines necessary to support operation of the system.⁸ In addition, the ISO tariff allows the ISO to set minimum and maximum procurement requirements within ancillary services sub-regions.⁹ The ISO tariff establishes criteria for the ISO to apply in making minimum or maximum procurement decision in an ancillary services sub-region.¹⁰ SCE's comments seek to impose a requirement that conflicts with these tariff sections.

⁷ *September 2006 Order* at PP 1078-1079.

⁸ ISO tariff section 8.2.3 provides in part: "For each of the Ancillary Services, the CAISO shall determine the quantity and location of the Ancillary Service which is required using Ancillary Service Regions as described in Section 8.3.3. For each of the Ancillary Services, the CAISO shall determine the required locational dispersion in accordance with CAISO Controlled Grid reliability requirements."

⁹ ISO tariff at section 8.3.3.1 provides in part "Within the Expanded System Region, the System Region, and the Sub-Regions, the CAISO may establish limits on the amount of Ancillary Services that can be provided from each region or can be provided within each region."

¹⁰ ISO tariff at section 8.3.3.2 provides: "The CAISO's use of an Ancillary Service Sub-Region occurs when the CAISO establishes a minimum or maximum limit for that Sub-Region. The CAISO's use of minimum and maximum procurement limits for Ancillary Services help to ensure that the Ancillary Services required in the CAISO Balancing Authority Area are dispersed appropriately throughout the CAISO Balancing Authority Area and accurately reflect the system topology and deliverability needs. The factors the CAISO will look to in determining whether to establish or change minimum or maximum limits, include but are not limited to, the following: (a) the CAISO Forecast of CAISO Demand, (b) the location of Demand within the Balancing Authority Area, (c) information regarding network and resource operating constraints that affect the deliverability of Ancillary Services into or out of an Ancillary Service Region, (d) the locational mix of generating resources, (e) generating resource Outages, (f) historical patterns of transmission and generating resource availability, (g) regional transmission limitations and Constraints, (h) transmission Outages, (i) Available Transfer Capability, (j) DA Schedules or

B. The ISO's ancillary services procurement requirements in the in SP-26 sub-region have been explained to stakeholders and the ISO will continue to inform stakeholders of changes to ancillary services procurement limits.

During the course of the ISO's stakeholder process to develop its reserve scarcity pricing design, the ISO explained to stakeholders that it is enforcing minimum ancillary services procurement requirements in the SP-26 expanded sub-region. The ISO made this procurement decision based on a number of factors identified in ISO tariff section 8.3.3.2, including the anticipated single largest contingency and transmission constraints under peak load condition in the SP-26 expanded. The ISO is also in fact considering whether to impose a minimum procurement requirement for regulation in NP-26 expanded but has not yet determined whether such a requirement is necessary. The ISO will continue to confer with stakeholders regarding its ancillary services procurement decisions. Indeed, as part of its proposed tariff provisions to implement scarcity pricing, the ISO has committed to inform market participants of any changes to its minimum ancillary services procurement requirements.¹¹

HASP Intertie Schedules, (k) whether any Ancillary Services provided from System Resources requiring a NERC tag fail to have a NERC tag, and (l) other factors affecting System Reliability. Ancillary Services procured within a Sub-Region count toward satisfying the Ancillary Service requirements for the System Region or the Expanded System Region.”

¹¹ See, ISO December 24, 2009 filing at 3 and Attachment B proposed modifications to tariff section 8.2.2

III. CONCLUSION

The Commission should reject the comments of SCE that seek to impose a requirement on the ISO to procure regulation down within ancillary services sub-regions. The ISO's proposed tariff amendments to implement scarcity reserve pricing comply with the Commission's directives and are just and reasonable. As explained in the ISO's filing dated April 30, 2010, the ISO requests that Commission issue an order by June 29, 2010 to make the tariff revisions to implement scarcity pricing effective on July 7, 2010. If the Commission directs modifications to the ISO's scarcity pricing design, the ISO may need to request additional time to implement scarcity pricing to accommodate software changes and additional testing.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the captioned proceeding, 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 June 2010.

/s/ Jane Ostapovich
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