

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

San Diego Gas & Electric Company) Docket No. ER03-217-000

**MOTION TO FILE FURTHER COMMENTS, FURTHER COMMENTS, AND
RESPONSE TO THE TDM ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. §§ 385.212, the California Independent System Operator Corporation ("ISO") hereby moves for permission to file these additional comments, and submits such comments in the above-captioned proceeding. The ISO respectfully urges the Commission to condition its acceptance of the agreements filed in this proceeding on development by San Diego Gas & Electric Company ("SDG&E"), Termoeléctrica de Mexicali, S. de R.L. de C.V ("TDM-MX"), and Termoeléctrica U.S., LLC ("TDM-US") (collectively referred to as "TDM") of mechanisms acceptable to the ISO to address potential congestion caused by the operation of generators connected at the Imperial Valley Substation ("IV") on the facilities of a neighboring Control Area and to maintain reliability. Because certain provisional, and intentionally restrictive, operating procedures have been developed to address testing of TDM—MX's generating plant during January 2003, the ISO no longer recommends that the Commission require SDG&E to file such operating procedures with the Commission prior to energization of the TDM-Plant.

In addition, the ISO hereby responds to the December 30, 2002, answer by TDM to the ISO comments. The Commission's rules do not provide for

answers to comments such as those filed by the ISO in this matter although the Commission has discretion to accept an answer if it is helpful. In this case, TDM's answer is misleading, and hence unhelpful, and should not be accepted by the Commission.

I. BACKGROUND

On November 25, 2002, SDG&E tendered for filing its Service Agreements numbers 17 and 18 to its FERC Electric Tariff, First Revised Volume No. 6, two interconnection agreements. According to SDG&E, both agreements relate to the interconnection to SDG&E's transmission system of a new generation plant owned by TDM-MX ("TDM-Plant"), and interconnected with SDG&E's electrical system via a tieline owned by TDM-US. SDG&E states that the TDM-Plant, with a capacity of 650 megawatts¹, is being constructed on an expedited basis to meet electricity demand in the Western United States, Baja California, Mexico, and the San Diego Basin. It is located near Mexicali, Mexico, and is expected to begin commercial operation on or about April 7, 2003, although the in-service date for certain Interconnection Facilities is November 23, 2002. SDG&E indicates that those facilities are needed to provide interconnection services required to accommodate TDM's backfeed power requirements, not being provided by SDG&E, from SDG&E's transmission system, to accommodate generation construction activities. Moreover, the ISO understands that energization for testing is scheduled to take place in January 2003.

¹ As indicated in Appendix 1, the interconnection studies modeled the TDM-Plant as a 600 MW plant, and the ISO's approval of the interconnection is thus based on an assumption that the plant's output will be no more than 600 MW.

Service Agreement No. 17 is the Interconnection Facilities Agreement dated November 20, 2002 between SDG&E and TDM, under which SDG&E will construct, operate and maintain the proposed interconnection facilities. Service Agreement No. 18, the Interconnection Agreement between SDG&E and TDM, dated November 20, 2002, establishes interconnection and operating responsibilities and associated communications procedures between the parties.

The TDM-Plant is proposed to be interconnected to the ISO Controlled Grid at IV and to be part of the ISO Control Area.² On December 4, 2002, the ISO granted final approval for connection of the TDM-Plant to the ISO Controlled Grid. In its approval letter the ISO noted that approval to interconnect does not guarantee full generation output from the plant. Further, the ISO stated that it "requires SDG&E to closely coordinate with the Cal-ISO, IID, [Comisión Federal de Electricidad ("CFE")] and [Sempra Energy Resources] any planned changes to their systems and to ensure that necessary operating procedures are finalized, before energization." The ISO included this requirement because the interconnection studies undertaken by SDG&E and reviewed by the ISO indicate that, under certain conditions, generators, including the TDM-Plant, interconnected to the ISO Controlled Grid at IV, could cause congestion on facilities within the IID Control Area³. In addition, the ISO's final interconnection letter included a series of requirements to maintain system reliability.

² The ISO is today filing with the Commission a Participating Generator Agreement with TDM for the TDM-Plant.

³ The ISO's review of the interconnection studies as to the effects on IID's system was limited by the fact that it was not permitted access to the underlying data about the IID system. Accordingly, as to these effects, the ISO was forced to rely on SDG&E's work.

At this time, the ISO does not have an Interconnected Control Area Operating Agreement with IID because IID has indicated to date that it is not able to commence substantive negotiations regarding such an agreement with the ISO. Consequently, the ISO and IID have no procedures to deal with congestion in the IID system caused by generating facilities in the ISO's Control Area.

On December 16, the ISO filed comments on the agreements filed in this matter. The ISO explained that it does not oppose acceptance by the Commission of the agreements filed in this matter, provided that the Commission's acceptance is conditioned upon SDG&E filing with the Commission prior to energization in January of the TDM-Plant the procedures to be used by the ISO to address congestion on the IID system caused by generators connected at IV.

The ISO noted that it expects to work with SDG&E, TDM and others to develop operating procedures to ensure the reliable operation of the ISO Controlled Grid with the additional generators connected at IV, including the TDM-Plant.⁴ Moreover, the ISO Tariff dictates how congestion within the ISO Controlled Grid that is not otherwise addressed through facility improvements and operating procedures is to be managed by the ISO.

⁴ The ISO notes that the potential congestion on the IID system would be caused by all generators connected at IV, including the Central La Rosita II Power Plant Expansion Project ("LRII"). The ISO filed with the Commission on June 3, 2002 an executed PGA with Energia de Baja California, S. de R.L. de C.V. for LRII in Docket ER02-2009-000. The PGA was accepted by the Commission effective as of May 29, 2002. The potential congestion on the IID system was not presented to the Commission in Docket ER02-2009-000 because at that time IID had not yet provided to SDG&E the information required to study and identify the potential problems. Nonetheless, the same IID congestion issues arise as to LRII, which was behind the TDM-Plantin SDG&E's interconnection queue. Thus, the Commission should encourage SDG&E to work with all generators seeking to interconnect at IV to address the problem in a comprehensive manner.

The ISO stated that nonetheless, generators connected at IV can also cause congestion on the IID system, depending on the level of imports from CFE and the schedules of other Market Participants over Path 45. The ISO directed SDG&E in its approval of the TDM-Plant interconnection to work with IID, CFE and the ISO to address the problem. However, the ISO noted its concern that there is no clear understanding as to how congestion on the IID facilities caused by generation within the ISO Control Area is to be addressed.

The ISO explained that if the IID congestion issues are not clearly and satisfactorily resolved before TDM commences operation (including both testing and commercial operation), the ISO operators may face disputes in real time among IID, CFE, generators connected at IV, and other Market Participants whose schedules may be affected by the need to prevent overloads of IID facilities. The ISO stressed that this result is inappropriate and unacceptable to the ISO.

On December 30, 2002, TDM filed an answer to the ISO comments arguing that there is no adverse impact on the IID system and that the ISO comments are discriminatory and otherwise improper. TDM requested that the Commission expedite its approval of the interconnection agreements without condition and require the ISO to allow TDM to commence testing in January.

II. BASIS FOR THE MOTION

Since the ISO filed its comments on December 16, 2002, there have been developments that have caused the ISO to revise its view of the appropriate condition that should be imposed by the Commission in accepting the agreements filed in this matter. The ISO considers that it is important for the

Commission to know of these developments and revisions in considering the agreements filed in this matter and respectfully asks the Commission to accept these further comments as an update.

III. FURTHER COMMENTS

Since the ISO filed its comments on December 16, 2002, the ISO, SDG&E, Energia de Baja California, S. de R.L. de C.V. and TDM have developed operating procedures that will allow testing of the TDM Plant to take place in January 2003, subject to such procedures, in a manner that should avoid problems on the IID system. Further, the ISO expects to continue to work with SDG&E, TDM and others to develop and coordinate a combination of operating procedures, acceptable Special Protection Systems (“SPS”) and system upgrades to ensure the reliable operation of the ISO Controlled Grid with the additional generators connected at IV, including the TDM-Plant, and to address congestion on the IID system.

It appears from this work that pending a more permanent solution: 1) TDM and other generators connected at IV are working cooperatively with the ISO to address operational concerns, and 2) the ISO may have to work with the respective parties month by month to devise operating procedures and/or install necessary SPS to allow for safe testing, and ultimately commercial operation of the generators connected at IV. The ISO remains concerned that there are significant operational and system reliability issues to be overcome prior to commercial operation of the generators connected at IV, including the TDM-Plant. Nonetheless, the ISO considers that, given the progress that has been made, the Commission should condition approval of the agreements filed in this

matter on the ongoing development of acceptable operating procedures and/or installation of necessary SPS but need not require that such procedures be filed prior to energization. This is because, as stated above, provisional procedures have been developed that will allow for safe energization and testing in January, and because procedures may have to be changed on a monthly basis to account for changing operating scenarios. Moreover, TDM is cooperating with the ISO and should not be disadvantaged vis a vis other generators connected at IV, whose interconnection agreements were approved before the problems with IID became known.

For these reasons, the ISO wishes to revise its request in the December 16 comments, and asks the Commission instead to condition acceptance of the agreements only on TDM agreeing to mechanisms that will allow the ISO to safely address reliability issues and congestion on the IID system. The ISO still considers that direction from the Commission as to the respective responsibilities among the parties, and the allocation of costs, pending better regional integration, would likely facilitate resolution of these issues by the parties, and would certainly assist the ISO in evaluating the propriety of potential solutions developed among the parties.

IV. RESPONSE TO THE TDM ANSWER

On December 30, 2002, TDM filed an answer to the ISO comments. (These ISO further comments were largely drafted by that time and have been revised to add this section responding to TDM's answer.) The Commission's rules do not provide for answers to comments although the Commission has

discretion to accept an answer if it is helpful. In this case, TDM's answer is misleading and unhelpful and should not be accepted by the Commission.

The December 30, 2002 TDM answer argues: 1) that there is no adverse impact on the IID system, and 2) that the ISO comments were discriminatory and otherwise improper. These contentions are specious. As noted in the ISO's initial comments, SDG&E studies have identified problems on the IID system. As stated also in the ISO's initial comments, the ISO's review of the SDG&E studies have been hampered because it was not permitted access to the underlying data about the IID system; accordingly, as to the effects on IID, the ISO was forced to rely on SDG&E's work. Nonetheless, problems of sufficient magnitude have been identified to raise concerns at the ISO that, if the issues are not resolved, the ISO operators may face disputes in real time among IID, CFE, generators connected at IV, and other Market Participants whose schedules may be affected by the need to prevent overloads of IID facilities.

TDM notes in footnote 12 of its answer that the issues can be addressed in a Western Electricity Coordinating Council ("WECC") process that provides a broad forum for discussion and comment in regard to any planning, operating or market interface issues related to the interconnection of a new generating facility. TDM states that, as the study provider, SDG&E will provide technical studies for the generators connected at IV. The ISO supports further proceedings regarding the problems before the WECC and in fact has urged SDG&E to address the problems through the WECC. Nonetheless, the Commission should be aware that problems exist and should make it clear in any order approving the interconnection agreements that, pending resolution of the issues before the

WECC, the ISO will not be forced to accept the output from the plants without appropriate operating procedures and/or acceptable SPS in place to assure reliability and avoid problems on neighboring Control Areas.

The TDM answer also contends that the ISO's comments are discriminatory. In fact, at the time TDM wrote its answer it had already been made aware that testing of other generators interconnecting to IV, and in particular LR II, had been subject to conditions similar to those that have been worked out for testing of the TDM-Plant in January. Moreover, the ISO has made it clear that going forward it intends to treat all Participating Generators connecting to IV similarly. Thus, TDM's comments are disingenuous and misleading. The ISO was not aware of the IID problems when the interconnection agreements relating to LR II were filed or it would have appraised the Commission of the problems at that time.

TDM contends as well that the ISO should impose conditions on Blythe Energy, LLC ("Blythe"). The ISO intends to treat all Participating Generators connected at IV consistently. The ISO notes, however, that Blythe is not connected to the ISO Controlled Grid and that the ISO consequently has limited ability to resolve problems by imposing conditions on Blythe. TDM's contentions can be addressed in the WECC process.

Finally, TDM argues that since the interconnection agreements do not provide a right to transmission service the ISO concerns are irrelevant for purposes of approval of the interconnection agreements. In the same pleading, however, TDM asks the Commission to order the ISO to allow testing of the TDM facility (presumably without regard for the impacts on the system and neighboring

Control Areas of such testing). TDM's request illustrates why the ISO believed it necessary to apprise the Commission of the concerns arising from the generators connected at IV, and to request the Commission to condition approval of the agreements on the development of appropriate mechanisms to eliminate problems.

In sum, the TDM answer is misleading and hence unhelpful and should be rejected by the Commission. The ISO has been and continues to work energetically to develop and put into place the mechanisms to permit safe testing and operation of the generators connected at IV without adverse impacts on reliability and without adversely affecting neighboring Control Areas. TDM and SDG&E should be required, as requested in these comments, to work with the ISO in this regard.

V. CONCLUSION

For the foregoing reasons, the ISO respectfully requests that the Commission accept these further comments in this proceeding. In light of more recent developments, the ISO urges the Commission to condition acceptance of the agreements filed in this matter only upon SDG&E and TDM agreeing with the ISO and other generators connected at IV on mechanisms to be used by the ISO to maintain reliability and address congestion on the IID system caused by generators connected at IV. The ISO reiterates its request that the Commission provide guidance in its order on the respective responsibilities of the various parties in resolving such congestion. Finally, the ISO urges the Commission to reject the December 30, 2002 TDM answer.

Respectfully submitted,

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Counsel for the California Independent
System Operator Corporation

Date: January 9, 2003



January 9, 2003

Magalie Roman Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: **San Diego Gas & Electric Company,
Docket No. ER03-217-000**

Dear Secretary Salas:

Enclosed please find an electronic filing in the above-captioned proceeding of the Motion to Intervene File Further Comments, Further Comments, and Response to the TDM Answer of the California Independent System Operator Corporation. Thank you for your attention to this filing.

Respectfully submitted,

Jeanne M. Solé
Counsel for the California Independent
System Operator Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Folsom, CA, on this 9th day of January, 2003.
