

II. BASIS FOR MOTION TO INTERVENE

On April 28, 2000, Pacific Gas and Electric Company ("PG&E") tendered for filing with the Commission a new Reliability Service Tariff and corresponding amendments to PG&E's Transmission Owner Tariff. PG&E states that the tariff and amendments establish retail and wholesale rates for the recovery of reliability charges that the ISO imposes on PG&E. PG&E states that, currently, the costs of reliability services have been allocated to PG&E's retail transmission service customers. PG&E proposes to modify this current allocation in order to recover these costs from all of its Transmission Owner Tariff customers, which includes retail and new wholesale users, and its Existing Transmission Contract customers, which take transmission service under transmission contracts that were executed prior to the commencement of ISO operations.

The ISO is a non-profit public benefit corporation organized under the laws of the State of California and responsible for the reliable operation of a grid comprising the transmission systems of California's investor-owned utilities – PG&E, San Diego Gas & Electric Company, and Southern California Edison Company – as well as for the coordination of the competitive electricity market in California. The ISO is responsible for ensuring nondiscriminatory access to the ISO Controlled Grid. The ISO therefore has an interest in the allocation of the costs of ensuring the reliability among the users of the ISO Controlled Grid. This interest cannot adequately be represented by any other party. For the same reason, the ISO's participation in this proceeding is in the public interest.

Accordingly, the ISO requests that it be permitted to intervene herein with full rights of a party. The ISO raises no substantive issues at the present time, but reserves the right to do so in any further aspects of the proceeding ordered by the Commission.

III. PROTEST

The ISO noted in its motion to intervene in Docket No. ER-845-000 (in which PG&E proposes to include in rates the costs allocated to it for out-of-market calls) that, as a general principle, the ISO believes that it is just and reasonable for a Participating Transmission Owner (“PTO”) to recover from transmission customers the costs incurred under the ISO Tariff. The ISO thus supports revisions to the Transmission Owner Tariffs that will allow recovery of the costs allocated to PTOs for costs under Reliability Must-Run (“RMR”) Contract and out-of-market calls to address local reliability needs.

Nonetheless, PG&E has not shown that its proposal to collect these costs from all wholesale customers – including wheeling customers – is just and reasonable. The ISO enters into contracts with RMR Units for two purposes: to secure rights to generation needed to preserve *local* reliability and as a mechanism to curtail the ability of some Generators to exercise *local* market power. The costs are assigned to the PTO in whose service area the RMR Unit is located. Similarly, under the ISO Tariff, the ISO allocates the cost of an out-of-market call to PTOs only when the out-of-market call is necessitated by *local* reliability concerns.

By assessing the costs to customers that are within the local service area, the ISO provides appropriate price signals for the need to upgrade those systems. There is no basis for spreading the costs of contracts that are entered into for local system

support to Wheeling customers who are transmitting electricity on the ISO Controlled Grid for delivery outside the local area. By spreading some costs of the RMR contracts to other entities, PG&E's proposal would diminish the incentive for a PTO to undertake transmission projects to reduce the need for RMR Contracts. For this reason, the ISO believes that the Commission should reject the allocation of these costs to Wheeling customers outside of the local area.

PG&E's filing raises complex and technical issues concerning the appropriate allocation of costs when both benefits and price signals are taken in account. The ISO has not yet been able to fully analyze these and other issues, including, for example, the interaction of this filing with PG&E's filing in Docket No. ER00-851-000 and the proposal to pass the costs through to Existing Rightsholders. For these reasons, the ISO reserves the right to submit supplemental comments on this filing.

IV. CONCLUSION

Wherefore, for the foregoing reasons, the ISO respectfully requests that the Commission permit it to intervene, and that it be accorded full party status in this proceeding. Further, the ISO submits that the Commission should reject the allocation of reliability services costs to Wheeling customers outside of the PG&E's local area.

Respectfully submitted,

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Date: May 19, 2000

CERTIFICATE OF SERVICE

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

Dated at Washington, DC, on this 19th day of May, 2000.

Michael E. Ward

May 19, 2000

The Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: **Pacific Gas and Electric Company,
Docket No. ER00-2360-000**

Dear Secretary Boergers:

Enclosed for filing are one original and 14 copies of the Motion to Intervene and Protest the California Independent System Operator Corporation in the above-identified proceeding. Two additional copies of the filing are also enclosed. Please stamp the two additional copies with the date and time filed and return them to the messenger.

Thank you for your assistance in this matter.

Yours truly,

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