

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

California Independent System Operator Corporation)	Docket No. RM05-5
)	Docket No. ER08-____-____

**PETITION OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION FOR
WAIVER OF CERTAIN BUSINESS PRACTICE STANDARDS ADOPTED IN ORDER
NO. 676-C**

The California Independent System Operator Corporation (“CAISO”) respectfully submits this Petition pursuant Rule 207 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.207 (2005), and Order No. 676-C, *Standards for Business Practices and Communication Protocols for Public Utilities*, 124 FERC ¶ 61,070 (July 21, 2008), Docket No. RM05-5-005, for a waiver, *inter alia*, of the Open Access Same-Time Information System (“OASIS”) related business practice standards adopted in Order No. 676-C, as well as certain other standards that are inapplicable to the CAISO’s operations. This waiver request is consistent with the OASIS and business practice standards waivers that the Commission has previously granted to the CAISO. As explained below, the Commission should continue the waivers previously granted to the CAISO and grant the additional waivers requested herein.

I. BACKGROUND

The CAISO is a non-profit public benefit corporation organized under the laws of the State of California and is responsible for the reliable operation of a transmission grid comprised of transmission facilities owned by Pacific Gas and Electric Company,

Southern California Edison Company, San Diego Gas & Electric Company, Atlantic Path 15 LLC, StarTrans IO, L.L.C., and the Cities of Vernon, Anaheim, Azusa, Banning, Riverside and Pasadena, California. Although the CAISO shares some similarities with electric utilities that are required to abide by the OASIS requirements, the CAISO's status as an Independent System Operator, the nature of the markets that the CAISO operates, and the fact that the transmission services that the CAISO provides differ significantly from the transmission services reflected in the *pro forma* Open Access Transmission Tariff ("OATT") and contemplated by the OASIS standards necessitate waivers of the OASIS standards.

The Commission previously recognized this necessity when it granted the CAISO an interim waiver of the OASIS requirements of Order No. 889 at the time it approved the CAISO's operations as an independent transmission system operator. The Commission noted as relevant factors in this determination the lack of reserved firm and non-firm point-to-point transmission service under the CAISO Tariff and the incompatibility of the CAISO computer communication system with the OASIS standards and protocols. *Pacific Gas & Electric Co., et al.*, 81 FERC ¶ 61,122 at 61,460 (1997) ("PG&E"). The Commission concluded that the CAISO's communication system "meets the needs of . . . Market Participants, including the [CAISO's] transmission customers. *Id.* Initially, the Commission limited the waiver to the period prior to the implementation of the CAISO's transmission rights proposal. However, at the time the Commission approved the CAISO Firm Transmission Rights proposal, the Commission extended the waiver. *California Indep. System Oper. Corp.*, 89 FERC ¶ 61,153, at 61,437-38 (1999) ("FTR Order"). The waiver remains in effect today.

In Order No. 676, issued on April 25, 2006, the Commission amended its regulations to incorporate by reference a number of business practice standards promulgated by the Wholesale Electric Quadrant (“WEQ”) of the North American Energy Standards Board (“NAESB”).¹ In particular, the Commission adopted a number of OASIS business practice standards that electric utilities were required to follow.

On June 1, 2006, the CAISO filed a *Petition for Renewal of Waiver of Certain Business Practices* (“Waiver Petition”) in which it sought waiver of the following OASIS business practice standards adopted in Order No. 676:

- Business Practices for Open Access Same-Time Information Systems (OASIS) (WEQ-001, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Standards 001-0.2 through 001-0.8, 001-2.0 through 001-9.6.2, 001-9.8 through 001-10.8.6, and Examples 001-8.3-A, 001-9.2-A, 001-10.2-A, 001-9.3-A, 001-10.3-A, 001-9.4.1-A, 001-10.4.1-A, 001-9.4.2-A, 001-10.4.2-A, 001-9.5-A, 001-10.5-A, 001-9.5.1-A, and 001-10.5.1-A;
- Business Practices for Open Access Same-Time Information Systems (OASIS) Standards & Communication Protocols (WEQ-002, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Standards 002-1 through 002-5.10; and
- Open Access Same-Time Information Systems (OASIS) Data Dictionary (WEQ-003, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Standard 003-0.

In its Waiver Petition, the CAISO stated that the circumstances warranting the prior OASIS waivers granted to it remained valid. The CAISO noted that most of the OASIS business practices implemented by the Commission in Order No. 676 do not apply to the CAISO’s operations or to the transmission services provided by the CAISO. In

¹ *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676, 71 Fed. Reg. 26,199, FERC Stats. & Regs., Regulations Preambles ¶ 31,216 (2006).

particular, the CAISO explained how the standards related to redirects and multiple requests, *i.e.*, Redirect Standard 001-9.7 and Standard 001-10.6 were incompatible with the nature of the transmission service provided under the CAISO's Tariff.

On November 16, 2006, the Commission issued an order granting the CAISO's request for waivers of the OASIS standards adopted by the Commission in Order No. 676 (*i.e.*, WEQ-001, 002 and 003).² The Commission noted that it had previously granted the CAISO waiver of the OASIS requirements of Order No. 889 and stated that it was continuing the waiver because the circumstances that led to the granting of the waiver remain valid. The Commission also granted the CAISO's request for waiver of the standards relating to redirects and multiple requests because these standards are incompatible with the transmission services the CAISO provides under its tariff. The Commission granted the waiver of all OASIS standards (WEQ-001, 002 and 003) until the CAISO's Market Redesign and Technology Upgrade ("MRTU") is implemented. The Commission directed the CAISO to either comply with or seek further waiver of the OASIS standards sixty days prior to the date on which it implements MRTU.

In Order No. 676-C, the Commission revised its regulations to incorporate by reference the latest version (Version 001) of certain standards adopted by NAESB's WEQ. The NAESB WEQ standards (1) revise the OASIS business practice standards (WEQ -001, 002, and 003); (2) revise four business practice standards relating to interchange matters (WEQ -004, 005, 006 and 007); (3) add new standards on transmission loading relief for the Eastern Interconnection (WEQ-008); (4) add new standards regarding Gas/Electric Coordination (WEQ-011); (5) add new standards for

² *California Independent System Operator Corporation*, 117 FERC ¶ 61,196 (2006) ("November 16 Order").

public key infrastructure WEQ-012; and (6) add a new OASIS implementation guide (WEQ-013). While many of the standards simply updated or revised existing standards, some of the standards addressed new business practices. For example, NAESB adopted new business practice standards for resales and transfers to standardize secondary transmission service on the OASIS. The Commission directed electric utilities to revise their OATTs to include the Version 001 WEQ standards that it was incorporating by reference. The Commission stated that if an electric utility requests waiver of a standard, it will not be required to comply with the standard until the Commission acts on its waiver request. If a waiver request is denied, the electric utility will be required to include in its OATT the standard(s) for which waiver was denied.

II. REQUEST FOR WAIVER

The CAISO hereby requests a full waiver of the following Version 001 standards adopted by the Commission in Order No. 676-C:

- Business Practices for Open Access Same-Time Information Systems (OASIS), Version 1.4 (WEQ-001, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Standards 001-0.2 through 001-0.8, 001-0.14 through 001-0.20, 001-2.0 through 001-9.6.2, 001-9.8 through 001-12.5.2, and 001-A and 001-B;³
- Business Practices for Open Access Same-Time Information Systems (OASIS) Standards & Communication Protocols, Version 1.4 (WEQ-002, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Standards 002-0.1 through 002-5.10;
- Open Access Same-Time Information Systems (OASIS) Data Dictionary,

³ The WEQ Version 001 package of standards includes Version 1.4 of the OASIS Standards. The reference to Version 1.4 is based on the fact that this is the fourth set of revisions to the Version 1.0 OASIS Standards that the Commission adopted in Order No. 889. *Open Access Same-Time Information System and Standards of Conduct*, 61 FR 21,737 (May 10, 1996), FERC Stats. & Regs. ¶ 31,035 (April 24, 1996). The Version 1.4 reference appears in Standards WEQ-001, WEQ-002, WEQ-003, and WEQ-013.

Version 1.4 (WEQ-003, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Standard 003-0;

- Business Practices for Open Access Same-Time Information Systems (OASIS) Implementation Guide, Version 1.4 (WEQ-013, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Introduction and Standards 013-0.1 through 013-4.2; and
- Transmission Loading Relief – Eastern Interconnection (WEQ-008, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Purpose, Applicability, and Standards 008-0.1 through 008-3.11.2.8, and 008-A through 008-D.

In addition, the CAISO requests a limited waiver of Standard WEQ-012 -- Public Key Infrastructure (PKI) Version 001 (Oct 31, 2007, with minor corrections applied on November 16, 2007), including Recommended Standard, Certification, Scope, Commitment to Open Standards and Standards 012-0.1 through 012-1.26.5 -- only to the extent that it applies to OASIS applications.

As described above, the Commission previously granted the CAISO a waiver of all OASIS requirements in *PG&E* and extended it in the FTR Order. Further, in its November 16, 2006 Order, the Commission granted the CAISO a waiver of the OASIS business practice standards WEQ -001, 002 and 003. The circumstances that warranted the prior waiver of the OASIS WEQ-001, 002 and 003 standards remain valid and support a waiver of the revised WEQ-001, 002 and 003 standards. These circumstances also warrant a waiver of the new OASIS Implementation Guide Standards (WEQ-013) and a limited waiver of the PKI Standard (WEQ_012) to the extent it applies to OASIS applications.

Most of the OASIS Business Practices implemented in Order No. 676 and 676-C simply do not apply to and/or are incompatible with the CAISO's operations and

transmission service structure.⁴ The OASIS Business Practice Standards are based on the transmission service model embodied in the *pro forma* OATT.⁵ That service model contemplates that electric utilities provide two types of transmission service -- network service and (firm and non-firm) point-to-point service. Under the *pro forma* OATT service model, customers submit formal transmission service requests to the transmission provider in order to reserve capacity, and they can reserve transmission capacity on a long-term basis. The *pro forma* OATT service model and the OASIS Business Practice Standards also accommodate resales (*i.e.*, reassignments) and transfers of transmission reservation rights, as well as firm and non-firm redirects. One change promulgated in Order No. 676-C was to permit customers that have reserved transmission capacity to resell their scheduling rights on less than a daily basis (*e.g.*, on an hourly or multi-hour basis). Another change permits resales of conditional firm long-term reservations.

Because the CAISO's transmission service model differs substantially from the *pro forma* OATT service model, the OASIS Business Practice Standards adopted in Order No. 676 and 676-C either do not apply to or are incompatible with the CAISO's transmission service model. Accordingly, a waiver of these standards is appropriate.⁶

⁴ As discussed in greater detail *infra*, the transmission services provided by the CAISO are significantly different than the transmission services contemplated under the *pro forma* OATT.

⁵ In its Order No. 890 compliance filing filed on October 11, 2007 in Docket No. OA08-12, the CAISO demonstrated how its "daily" transmission service model differed substantially from the transmission service model in the *pro forma* OATT and that the transmission service-related changes (*e.g.*, changes related to network and point-to-point transmission services, capacity reassignments, and roll-over rights) adopted in Order No. 890 did not apply to -- and were incompatible with -- the CAISO's service model. The CAISO also demonstrated that its transmission service model was consistent with or superior to the *pro forma* OATT service model as revised in Order No. 890. FERC accepted the CAISO's compliance demonstration on these matters. See *California Independent System Operator Corporation*, 123 FERC ¶ 61,180 at P 18 (2008).

⁶ The Commission has found that the CAISO's service model is consistent with or superior to the *pro forma* OATT service model under Order No. 888 and 890. *California Independent System Operator*

Rather than offering the two distinct transmission services contemplated in the *pro forma* OATT (*i.e.*, network service and point-to-point service), the CAISO offers a single transmission service that is available on a non-discriminatory basis to all eligible customers on a daily basis.⁷ Whereas the *pro forma* OATT permits users, on a first-come first-served basis, to reserve available transmission capacity on a long-term basis, with the exception of certain transactions scheduled pursuant to contracts that preceded the existence of the CAISO (*i.e.*, so-called Existing Transmission Contracts), all energy transmitted under the CAISO Tariff -- is treated as “new firm use” and is scheduled on a day-to-day basis by transmission customers. There are no long-term reservations of physical transmission capacity under the CAISO’s service model, and there is no application process for transmission service requests. Thus, the CAISO does not perform transmission service request studies. Rather, all users of the CAISO Controlled Grid must schedule their use each day and cannot reserve available transmission capacity beyond the Day-Ahead timeframe.⁸ Under the CAISO’s service model, Scheduling Coordinators (“SCs”) submit Day-Ahead and Hour-Ahead schedules to the CAISO. SCs have equal access to all available capacity every day and can make

Corporation, 123 FERC ¶ 61,180 (2008) (accepting the CAISO’s Order No. 890 compliance filing); *Pacific Gas & Electric Co., et al.*, 81 FERC ¶ 61,122 at 61,435, 61,555-56 (1997).

⁷ The open access transmission service provided by the CAISO is essentially a network type service, but with more flexibility than the network service under the *pro forma* OATT.

⁸ Thus, under the CAISO’s Commission-approved service model, there are no long-term reservations of transmission capacity or rollover rights. As the Commission has recognized, the CAISO’s “proposal to schedule transmission in a day-ahead and hour-ahead basis is not compatible with the long-term reservation of discrete physical transmission rights.” *PG&E* at 61,472. Accordingly, the Commission has ordered customers to take service under the ISO Tariff upon contract expiration. *Id.* at 61,463-65. The Commission found that the right of first refusal provision under Order No. 888 does not apply to customers in the CAISO service territory because the service model under the Order No. 888 *pro forma* OATT does not apply to the CAISO. *Sacramento Municipal Utility District v. Pacifica Gas & Electric Company, et al.* 105 FERC ¶ 61,237 (2004), *aff’d sub nom., Sacramento Municipal Utility District v. FERC*, 428 F. 3rd 294 (D.C. Cir. 2005)

changes to their schedules, including receipt and delivery point changes, on an hourly basis.

The CAISO does not offer non-firm transmission service or point-to-point transmission service. Moreover, the CAISO does not offer conditional firm transmission service and was not required to do so by Order No. 890.⁹ In contrast to traditional transmission services provided under the *pro forma* OATT, CAISO customers that take transmission service need not formally designate and un-designate network resources. The CAISO utilizes a bid-based, economic dispatch/re-dispatch process to balance real-time Balancing Authority Area requirements; utilizes the full capability of the grid to maximize the transmission service that can be provided to eligible customers; provides customers with maximum flexibility to schedule transactions and rations capacity when demand for transfer capability exceeds supply.

Thus, the CAISO's "daily" and "hourly" scheduling transmission service model does *not* have any of the following features typically associated with *pro forma* OATT transmission service: separate network and point-to-point transmission services; non-firm transmission services; formal transmission service requests (and applications); transmission service reservations; resales (or reassignments); redirects; or transfers of transmission reservation rights or rollovers rights. Accordingly, the OASIS business

⁹ In Order No. 890, the Commission stated that it would be inappropriate to require ISOs and RTOs with real-time energy markets to provide conditional firm point-to-point service. Order No. 890 at P 992. Because the CAISO has a real-time energy market it is not required to provide conditional firm point-to-point service. The Commission accepted this aspect of the CAISO's compliance demonstration in approving the CAISO's Order No. 890 compliance filing filed on October 11, 2007 in Docket No. OA08-12. See *California Independent System Operator Corporation*, 123 FERC ¶ 61,180 (2008). The Commission also accepted, without specifically discussing, that aspect of the CAISO's compliance demonstration which sought a waiver from certain OASIS posting requirements (e.g., OASIS posting requirements regarding denials of service, the designation of network resources and the posting of system impact studies, facilities studies and studies performed for the transmission provider's own network resources) that were not applicable under the CAISO's service model. *Id.* at P 18.

practice standards adopted in Order No. 676 and 676-C cannot be applied to the CAISO's transmission service model.

In particular, the OASIS standards regarding resales of transmission rights on an hourly basis that were adopted in Order No. 676-C are incompatible with the CAISO's service model.¹⁰ The CAISO Tariff does not contain any capacity reassignment provisions. As indicated above, the CAISO does not provide reserved point-to-point service. Customers schedule service on a daily and hourly basis,¹¹ and they pay Transmission Access Charges ("TAC") based on Gross Load, *i.e.*, delivered Energy.¹² See Section 26.1 of ISO Tariff. Because customers do not "hold" transmission capacity beyond individual hours in which they schedule service, and they do not pay Transmission Access Charges based on "reserved" capacity, capacity reassignments are not possible (or necessary) under the CAISO service model. Accordingly, the OASIS standards pertaining to capacity reassignments do not apply to the CAISO.

For the foregoing reasons, the CAISO requests that the Commission grant the CAISO a waiver of the requirements of OASIS Business Practice Standards WEQ-001, 002 and 003, as revised by Order No. 676-C. Such waiver would be consistent with the OASIS Standards waiver the Commission previously granted to the CAISO. Similarly, the Commission should grant the CAISO a waiver of the new OASIS Business Practice Requirements under WEQ-013, *i.e.*, the OASIS Implementation Guide. The OASIS Implementation Guide sets forth the basic OASIS transaction process. The Implementation Guide provides additional requirements and guidance for processing

¹⁰ The CAISO satisfies the intent of the standards because the CAISO permits SCs to change their schedules on an hourly basis.

¹¹ As indicated, customers can change their schedules on an hourly basis.

¹² Wheeling Access Charges are based on hourly schedules. See Section 26.1.4 of ISO Tariff.

specific types of business transactions in the implementation of OASIS. In particular, the OASIS Implementation Guide specifies the actions that may be taken by transmission customers and sellers to execute transactions on OASIS. It sets forth, among other things, processes for transmission service requests, secondary market requests, renewals of expiring transmission contracts, redirects and resales. As discussed above, these processes and transactions do not exist under the CAISO's service paradigm. Accordingly, for the same reasons that the Commission has granted the CAISO a waiver of the OASIS Standards WEQ-001, 002 and 003, the Commission should grant the CAISO a waiver of the OASIS Implementation Guide Standards WEQ-013.

Similarly, the CAISO requests that the Commission grant the CAISO a limited waiver of Standard WEQ-012, the Public Key Infrastructure ("PKI") standard, to the extent it applies to OASIS applications. Standard WEQ-012 describes the requirements that Certification Authorities ("CAs") must meet in order to claim the electronic Certificates issued by the CA meet the NAESB WEQ PKI Standards. Standard WEQ-012 also describes the minimum physical characteristics that a Certificate must meet in order to achieve compliance with the NAESB WEQ PKI Standards. It is unclear exactly which software applications NAESB will require to be secured by PKI-compliant digital certificates, but the Standard mentions the need to provide a minimum level of security for, *inter alia*, the exchange of OASIS data. Out of an abundance of caution, the CAISO seeks a limited waiver of Standard WEQ-012 to the extent it applies to OASIS applications. As indicated above, the CAISO does not schedule or reserve energy service or effectuate energy transactions on its OASIS.

Market Participants do not designate or undesignate resources via OASIS (because the CAISO does not have a traditional “network” transmission service like that offered under the *pro forma* OATT). Likewise, Market Participants do not exchange confidential or personal information with the CAISO (and vice-versa) via OASIS. The sole purpose of the CAISO’s OASIS is for the CAISO to post public transmission and market operations-related data. All of the information posted on the CAISO’s OASIS site is public information.

No “private”, confidential or proprietary data is transferred, exchanged or posted on the CAISO’s OASIS. This is because the CAISO does not effectuate any transactions or communicate with individual market participants via OASIS. CAISO transmission and market transactions (e.g., scheduling, outages and dispatch instructions) are effectuated via other CAISO systems and applications. The CAISO will comply with Standard WEQ-012 in those instances where it is applicable to the CAISO’s operations. However, for the reasons discussed *supra*, the PKI standards simply do not apply to the CAISO’s OASIS applications. The CAISO’s use of OASIS to disseminate only public information, and use of other systems and applications to exchange information and communications with individual market participants, means no secure communications occur through the OASIS. Accordingly, there is no need for PKI to provide the Confidentiality, Authentication, Integrity and Non-Repudiation security services contemplated in WEQ-012 in connection with the CAISO’s OASIS operations.

The CAISO further submits that the current functioning of OASIS meets the needs of Market Participants and no Market Participant would be adversely affected by the granting of the waiver. In accordance with the November 16 Order, the CAISO

intends to make a filing at least 60 days prior to MRTU implementation (1) indicating which OASIS standards it will be able to comply with under MRTU, and (2) seeking a waiver of those standards that do not apply to or are incompatible with the CAISO's MRTU service model.

Finally, the CAISO seeks a waiver of the Transmission Loading Relief Standards, Eastern Interconnection (WEQ-008). These standards do not apply to the CAISO because the CAISO is not located within the Eastern Interconnection. Accordingly, a waiver is appropriate.

III. COMMUNICATIONS

Please address communications concerning this filing to the following person:

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IV. SERVICE

The CAISO has served copies of this filing on the California Public Utilities Commission, the California Energy Commission, and all parties with Scheduling Coordinator Agreements under the CAISO Tariff. In addition, the CAISO has posted a copy of this filing on the CAISO Website.

V. Conclusion

For the reasons stated above, the CAISO respectfully requests that the Commission grant this petition for waiver.

Respectfully submitted,

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