

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

San Francisco Bay Area Rapid Transit District,)	
an agency of the State of California,)	
)	
v.)	Docket No. EL98-10-001
)	
Pacific Gas & Electric Company, a corporation,)	
and California Independent System Operator)	
Corporation, a corporation.)	

**SUPPLEMENT TO MOTION TO INTERVENE AND
PROTEST OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION**

In accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.211 and 385.214, and as requested in its May 29, 1998 “Motion to Intervene and Request for Leave to Supplement”, the California Independent System Operator Corporation (“ISO”) hereby submits this protest in the above-captioned proceeding.

I. BACKGROUND

In a Motion to Intervene filed on May 29, 1998, the California ISO requested leave to supplement that filing on or before June 5, 1998. In that Motion to Intervene, the ISO was involved in a massive effort to prepare and submit its compliance filing in the California restructuring proceeding. The compliance filing, submitted on June 1, 1998, was over 2,000 pages long, included the ISO Tariff, Protocols, *Pro Forma* Agreements and the Transmission Control Agreement, and was served on over 300 parties. In addition, ISO staff had to prepare for the ISO Governing Board meetings on May 27 and May 28, 1998 in which the ISO received final approval for the compliance filing submitted on June 1, 1998. Consequently, the ISO requested an additional week in which to prepare more detailed comments on Pacific Gas & Electric

Company's ("PG&E") compliance filing in this proceeding. At this early stage in the proceeding, the delay in submitting the ISO's comments should not prejudice or present any undue burden for other participants, or otherwise disrupt the proceeding. *See e.g. Koch Gateway Pipeline Co.* 82 FERC ¶61,096 (1998). In addition, the ISO believes its comments will assist the Commission in deciding how to address PG&E's compliance filing.

II. PROTEST AND COMMENT

As noted in its Motion to Intervene, the ISO controls and operates the transmission systems of PG&E, San Diego Gas & Electric Company ("SDG&E") and Southern California Edison Company ("SCE") and is responsible for maintaining the reliability of this system. Detailed procedures applicable to all market participants are set forth in the ISO Tariff and Protocols, however, the ISO is also required to honor, and separately administer, contracts for transmission service that existed as of October 30, 1997 ("Existing Contracts"). The Commission has determined that the network transmission agreements at issue in this proceeding are to be considered Existing Contracts. *San Francisco Bay Area Transit District v. Pacific Gas & Elec. Co.*, 82 FERC ¶ 61,282 (1998). While the ISO must honor Existing Contracts, the Commission also has recognized the burden of administering these contracts. *Pacific Gas & Elec. Co.*, 81 FERC ¶ 61,122, at 61,463-74.¹

Certain provisions of the proposed Network Operating Agreement ("NOA") between PG&E and the San Francisco Bay Area Rapid Transit Authority ("BART") appear to have the intent of lessening the burden on the ISO. For example, section 1 of the NOA states: "To the extent PG&E is required to act as a Scheduling Coordinator for the purposes of this Agreement, PG&E and BART will comply with applicable scheduling and coordination sections of the ISO

¹ In addition, in other forums the Commission has made modifications to existing contracts to allow for an ISO's administration of the transmission grid. *Pennsylvania –New Jersey – Maryland Interconnection*, 81 FERC ¶ 61,257 at 62,281 (1997) (requiring revision of existing bilateral contracts to eliminate multi-system charges, and other revisions as necessary to allow the ISO to administer existing transmission contracts).

Tariff Protocols, and Agreements.” In addition, section 3 of the NOA provides that: “ BART shall operate under . . . applicable California ISO Corporation (CAISO) criteria. . . .” The ISO supports the intent of these statements. The largest burden on the ISO in administering Existing Contracts is dealing with scheduling procedures in Existing Contracts that are different from the ISO’s scheduling procedures. Therefore, as an indication of general intent, the ISO applauds PG&E for including these statements and urges the Commission to include such provisions as part of the BART-PG&E network service agreements.

However, without further delineation, the statements are too sparse and/or unexplained to provide meaningful guidance as to how PG&E will implement the provisions of either the NOA or the Network Integration Transmission Service Agreement (“NITS”). As discussed in more detail below, the ISO has a number of concerns about the proposed terms and conditions of the network service agreements.

A. PG&E’s Statements And The NOA Are Not Clear As To The Role PG&E Will Assume As Scheduling Coordinator For BART.

In its transmittal letter, PG&E states that the NITS incorporates the terms and conditions of its existing Open Access Transmission Tariff (“OATT”), and, because PG&E is no longer a Control Area Operator, PG&E states that it: “will procure *certain services* as a Scheduling Coordinator under the terms of the ISO Tariff.” Transmittal Letter at 2 (emphasis added). In addition, PG&E indicates that it will “act as a Scheduling Coordinator, *to the extent required*, and the Parties will conform operations and scheduling of such services to requirements of the ISO Tariff and Protocols.” *Id.* at 4 (emphasis added). The ISO cannot permit PG&E as a Scheduling Coordinator to “procure only certain services” or act as a Scheduling Coordinator “to the extent required.” There is absolutely no attempt to support or further define these statements. Moreover, Section 2.2.3.1 of the ISO Tariff is clear as to the requirements to be a Scheduling

Coordinator, which includes specific scheduling functions. It is very difficult for the ISO to have various Scheduling Coordinators supplying different pieces of information. The Commission must clarify that PG&E cannot pick and choose what services it will provide as BART's Scheduling Coordinator, but must comply with all relevant requirements of the ISO Tariff, including the Protocols when it acts as Scheduling Coordinator for BART.

B. PG&E Must Supply Total Schedules, Not Net Schedules To The ISO For BART.

Under the ISO tariffs and protocols, Scheduling Coordinators are required to submit individual balanced schedules of generators, loads, imports, exports, and Inter-Scheduling Coordinator trades. Under the terms of the proposed agreements, it is not clear whether PG&E will provide this same information for BART. Rather, it appears that PG&E intends to self-provide ancillary services under the Existing Contract (i.e., the BART Agreement), without identifying actual generating units, physical generating units or curtailable demands. For example, under the NITS, the network resources are described as merely: "BART's purchases of Federal Preference Power from BPA and Western." NITS, Section 4. The points of receipt are described as follows: "Power coming to BART from Western's power system will be received at Western's Tracy Substation (230 kV). BPA power will be received at the California-Oregon Border (COB) or at the COTP terminus near PG&E's Tesla Substation (500 kV)." NITS, Section 7.

These provisions indicate that PG&E is attempting to replicate a concession it achieved in reaching a resolution of the Responsible Participating Transmission Owner ("RPTO") Agreement. During the negotiations of the RPTO Agreement between PG&E and the ISO prior to the ISO operations date, a number of side agreements were entered into concerning the existing rights of certain municipal customers and whether PG&E would agree to act as a Scheduling Coordinator for these municipal entities. These agreements (euphemistically called "bubble agreements" for the municipal "bubbles" inside the ISO Control Area), establish that PG&E will schedule the

California-Oregon Transmission Project (“COTP”), and schedule for the Sacramento Municipal Utility District, the Western Area Power Administration (“Western”), and the City of Redding. PG&E would only agree to provide scheduling services for these municipal and governmental entities if the ISO would allow PG&E to “net schedule” such entities’ Existing Contracts.

This concession to PG&E was a key component in being able to honor the Existing Contracts of the municipal entities. However, the concession has injected uncertainty in operating the system and has led to numerous manual workarounds for ISO Staff. In addition, the result of such “net scheduling” is that insufficient information is provided to the ISO, which has caused a significant reliability concern. ISO Staff is currently trying to remedy this situation in discussions with PG&E.

Net scheduling is accomplished by summing all of the generation, imports, exports, loads and Inter-Scheduling Coordinator Trades at a point (or points) of interconnection with the ISO controlled grid. In contrast, under the ISO Tariff and protocols, Scheduling Coordinators are required to submit *individual* balanced schedules of generators, loads, imports, exports, and Inter-Scheduling Coordinator trades. If the result of the net scheduling is a positive number, a “pseudo-generator” is modeled at the point of interconnection with the ISO Controlled Grid and, if the result of the net scheduling is a negative number, a “pseudo-load” is modeled at the point of interconnection with the ISO Controlled Grid. Thus, the designated points of receipt in the NITS (noted above), indicate that PG&E proposes to use Western’s 230-kV Tracy Substation and/or the COTP southern terminus near PG&E’s Tesla Substation as its point to model sources of energy and ancillary services. Because these “pseudo generators” are fictitious generating units that cannot be called on to provide capacity or energy, the ISO must then match the pseudo units with physical units which can supply the actual needs being modeled. This is a difficult and time-consuming process that has proven unsuccessful to date. In addition, not having unit-specific

information raises a reliability concern in that there is uncertainty regarding which units are supplying ancillary services and which units can then be called upon in an emergency situation.

Such an approach to submitting Balanced Schedules is inconsistent with the role of a Scheduling Coordinator. Section 2.5.6 of the ISO Tariff states that:

No Scheduling Coordinator shall be permitted to submit a bid to the ISO for the provision of an Ancillary Service from a Generating Unit, Load or System Resource, or to submit a schedule for self provision of Ancillary Service from that Generating Unit, Load or System Resource, unless the Scheduling Coordinator is in possession of a current certificate issued by the ISO confirming that the Generating Unit, Load, or System Resource complies with the ISO's technical requirements for providing the Ancillary Service concerned.

While the ISO is not currently issuing certificates, the intent of the section is that specific resources must be accountable for specific ancillary services. Thus, PG&E as a Scheduling Coordinator should be required to designate actual physical facilities for the provision of ancillary services, as is required of other Scheduling Coordinators.²

Moreover, section 2.4.4.1.2 of the ISO Tariff states, in part:

If a participating TO is a party to an Existing Contract under which Existing Rights are provided, the Participating TO shall attempt to negotiate changes to the Existing Contract to align the contract's scheduling and operating provisions with the ISO's scheduling and operational procedures, rules, protocols, to align operations under the contract with ISO operations, and to minimize the contract parties costs of administering the contract while preserving their financial rights and obligations as defined in section 2.4.4.3."

The network service agreements filed by PG&E are not a sufficient attempt at trying to align the contract's scheduling and operating provisions with the ISO scheduling and operating procedures. Instead, the Commission should require that PG&E, as Scheduling Coordinator for BART, submit individual balanced schedules of generators, loads, imports, exports, and Inter-Scheduling Coordinator trades for the BART load.

C. All Scheduling Coordinators Must Incur Costs for Black Start.

² Under the Commission's *Pro Forma* Tariff, when purchased power is designated as a network resource, the source of the supply (as well as control area location, and transmission arrangements and delivery points) must be identified. See, § 29.2(v) of the *Pro Forma* Tariff.

The proposed agreements identify and define ancillary services in conformity with PG&E's open access transmission tariff, which differs in several respects from the ancillary service definitions adopted by the ISO for California's restructuring. Among other things, the proposed agreements do not make any reference to Black Start services, which is a required ancillary service under the California restructuring. Black Start service is a critical resource which the ISO needs in order to manage the reliability of the ISO Control Area and is charged to all Scheduling Coordinators on a pro rata basis. In its October 30, 1997 Order, the Commission agreed that Black Start service must be provided for the whole ISO Control Area. *Pacific Gas & Elec. Co.*, 81 FERC ¶ 61,122 at 61,498. As such, it is appropriate that all users of the ISO Controlled Grid pay this charge. The ISO can not be obligated to back-out this charge from PG&E's charges. The ISO requests that the Commission clarify PG&E's responsibility for its full share of the Black Start service costs.

D. The Commission Should Clarify that Associated Transmission Arrangements for the Delivery of BART Preference Power Will Not Be Treated as Existing Contracts When Renegotiated, or Should Consider Limiting The Term of BART's Transmission Service Agreements

The delivery of a large portion of BART's federal preference power from Western is dependent on the existence of an integration agreement between PG&E and Western ("Contract 2948A"). This agreement integrates the United States Bureau of Reclamation's hydroelectric resources with PG&E resources for the good of the combined service areas and uses PG&E's transmission system to deliver the preference power to Western's various customers including BART. Contract 2948A is an Existing Contract under which Western's power will be delivered to BART via PG&E's transmission system from the Tracy substation. In addition, Contract 2948A expires in 2004. Thus, if Contract 2948A is renegotiated in 2004, the replacement contract will not be an Existing Contract under the Commission's orders. Consequently, the transmission capacity associated with the contract will become available for use by all market participants, and service over that capacity will be subject to standard ISO terms and conditions

However, PG&E has proposed a termination date of 2016 for the NITS. PG&E and Western should not be allowed to use the NITS to bootstrap their subsequent arrangements (i.e., any integration agreement that replaces Contract 2948A) beyond 2004, such that the new arrangement becomes an Existing Contracts under the Commission's orders. In other words, PG&E and Western should not be allowed to convert all the transmission service under a renegotiated Contract 2948A to "Existing Contract" status using the network service agreements for BART through 2016.

In addition, Section 4.4.3 of the Transmission Control Agreement ("TCA") between PG&E and BART states that "[N]o Participating TO shall create any new Encumbrances or (except as permitted by Sections 2.4.3 and 2.4.4 of the ISO Tariff) extend the term of an existing Encumbrance over lines or associated facilities forming part of its transmission network (as determined in accordance with Section 4.1.1) without the ISO's prior consent." To facilitate additional transmission availability, the ISO has included the cited clause in the TCA which PG&E has executed. Additionally, the ISO has the ability in accordance with Section 5.1.7 of the TCA to request Participating Transmission Owners to negotiate with Existing Rightsholders to relieve encumbrances and entitlements on the ISO Controlled Grid. Approval of the proposed network service agreements without further qualification would further hamper the ISO's ability to free-up transmission for use by all market participants.

While the ISO is committed to honor Existing Contracts, Existing Contract status should not be extended to "renegotiated agreements." The sooner more transmission capacity is available to market participants the sooner the market will become more competitive. Thus, the Commission should make clear that any new transmission or interconnection arrangement between PG&E and Western will not be treated as an Existing Contract by virtue of its association with the proposed network transmission service across PG&E's system, but must

conform to the standard ISO terms and conditions when renegotiated in 2004. Alternatively, the Commission could consider limiting the proposed network service arrangement to the period for which BART has arranged for delivery of its preference resources, *i.e.* through 2004.

III. CONCLUSION

Open and reliable access to the ISO Controlled Grid is a primary mission of the ISO. The Commission's approval of the proposed agreements, which does not provide the ISO with all of the information required by the ISO Tariff, will impair this mission. In addition, the ISO is concerned with new agreements which are to be included as Existing Contracts that allocate additional transmission from the ISO Controlled Grid to a specific party. Instead, any new agreement for transmission or interchange service from a federal power project to the PG&E system must not be treated as an Existing Contract.

WHEREFORE, for the reasons stated above, the ISO respectfully requests that the Commission require PG&E to modify its proposed agreements with BART as follows:

1. PG&E should be required to act as Scheduling Coordinator for the BART services without qualification;
2. PG&E should be required to submit individual balanced schedules of generators, loads, imports, exports, and Inter-Scheduling Coordinator trades for the BART load;
3. BART should be obligated to pay for its full share of Black Start services obtained on its behalf from the ISO; and

4. the ISO should not be required to treat any subsequent arrangements associated with the delivery of BART's federal preference power as an Existing Contract through the entire proposed term of the network service agreement. In the alternative, the Commission should consider limiting the proposed network service agreements to the period for which BART has arranged for delivery of its federal preference power.

Respectfully Submitted,

**CALIFORNIA INDEPENDENT SYSTEM
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Its Attorneys

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 the captioned proceeding.

Dated at Washington, DC, this 29th day of May, 1998.

Julie B. Greenisen