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UNITED STATES OF AMERICA

BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

California Independent System) Docket No. ER98-1499-000, et al.
Operator Corporation)

PREPARED SUPPLEMENTAL DIRECT TESTIMONY OF
DEBORAH A. LE VINE
ON BEHALF OF THE
CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. My name is Deborah A. Le Vine and I am the Director of Contracts & Compliance for the California Independent System Operator Corporation (ISO). My business address is 151 Blue Ravine Road, Folsom, California 95630.

Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS MATTER?

A. Yes. I previously provided prepared Direct Testimony. A description of my background, including my responsibilities with the ISO, is contained in that testimony.

Q. WHAT WAS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my Direct Testimony was to describe to the Commission the role of the ISO's Meter Service Agreement for Scheduling Coordinators (MSA/SC) and the Meter Service Agreement for ISO

1 Metered Entities (MSA/ISOME) in the restructuring of the electric utility
2 industry in California and certain significant aspects of the agreements as
3 they relate to the restructuring and the ISO Tariff. In my Direct Testimony,
4 I also described certain revisions the ISO was willing to make to the pro
5 forma MSA/SC and MSA/ISOME to accommodate concerns expressed
6 by intervenors in this proceeding.

7
8 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**
9 **TESTIMONY?**

10 A. Of the numerous parties that have intervened in this proceeding, including
11 the City and County of San Francisco; The Metropolitan Water District of
12 Southern California; the Modesto Irrigation District; Southern California
13 Edison Company; the Transmission Agency of Northern California; the
14 Western Area Power Administration; San Diego Gas & Electric Company;
15 the City of Redding, California; the Sacramento Municipal Utility District;
16 Long Beach Generating, LLC; El Segundo Power, LLC; the City of
17 Anaheim, California; Electric Clearinghouse, Inc.; Enova Energy, Inc.; and
18 the Northern California Power Agency, all but one were apparently
19 satisfied with the revised pro forma agreements contained in Exhibit
20 Nos. ISO-6 and ISO-7. The one participant to submit answering testimony
21 was the Cogeneration Association of California (CAC). CAC does not
22 appear to take issue with respect to the reasonableness of the revised
23 MSA/SC and MSA/ISOME as applied to “merchant plants”; however, CAC
24 claims that these agreements “do not adequately address the
25 considerations of operational Qualifying Facilities.”

26
27 The Commission Trial Staff requested that the ISO file supplemental
28 testimony explaining its position on the issues raised by CAC. The

1 purpose of my Supplemental Direct Testimony and the Direct Testimony
2 of Mr. Mark Morosky is to address the issues raised by Mr. James A. Ross
3 on behalf of CAC.
4

5 **Q. DOES THE ISO AGREE THAT THE PRO FORMA MSA/SC and**
6 **MSA/SOME NEED TO BE MODIFIED FOR QUALIFYING FACILITIES**
7 **(QFs)?**

8 A. No. At the outset, I would note that the purpose of this proceeding is
9 twofold: (1) to assess the reasonableness of the MSA/SC and
10 MSA/SOME as pro forma agreements, and (2) to assess the
11 reasonableness of the specific agreements filed in these consolidated
12 dockets.

13 The ISO prepared the pro forma agreements as a means of simplifying the
14 process of access to the ISO Controlled Grid and participation in the ISO
15 markets. The thought was that standardized “pre-approved” agreements
16 would ensure non-discriminatory participation and expedite Commission
17 approval of new market entrants.
18

19 It is also important to remember that the ISO’s metering requirements are,
20 as described by Mr. Morosky, defined by the ISO Tariff, including the
21 Metering Protocols. These requirements were all filed at the Commission
22 and have been the subject of other proceedings.
23

24 The ISO believes that metering requirements should be applied, to the
25 extent feasible, in a uniform, non-discriminatory manner. The
26 MSA/SOME allows the ISO to directly poll the meter. The MSA/SC
27 requires the Scheduling Coordinator to validate, edit, and estimate the
28 data so that settlement quality data are supplied to the ISO. Such an

1 approach facilitates the automation of the ISO's settlement and billing
2 process. Automation of the meter data prevents shifting of administrative
3 costs to participants that comply with the ISO's metering requirements
4 from those facilities that do not. If the unit does not supply settlement
5 quality data to the ISO or allow for direct polling in accordance with the
6 ISO's metering standards, it causes the ISO to perform manual "work
7 arounds" which are time consuming and resource intensive. The pro
8 forma MSA/SC and MSA/ISOME are reasonable for all market
9 participants, including QFs. Neither Midway Sunset Cogeneration
10 Company nor Texaco's North Midway project have demonstrated specific
11 circumstances that would warrant modifying the pro forma provisions.
12

13 **Q. CAN YOU PLEASE SUMMARIZE THE ISSUES IN DISPUTE BETWEEN**
14 **CAC AND THE ISO.**

15 A. The actual issues in dispute between the ISO and CAC appear to be
16 rather narrow. Mr. Ross states that application of the ISO's metering
17 requirements should be subject to case-by-case evaluation based on
18 factors such as the facility's location, size, and metering configuration, and
19 that any dispute be subject to resolution through an alternative dispute
20 resolution (ADR) process.
21

22 The ISO agrees that applicability of the metering requirements can be
23 reviewed on a case-by-case basis subject to ADR. As Mr. Morosky
24 explains, Section 13 of the Metering Protocol of the ISO Tariff permits
25 exemptions from the ISO Tariff based on the specific circumstances of the
26 facility. The operating procedure for obtaining metering extensions is
27 posted on the ISO web site. Moreover, the ISO's determination of

1 whether or not to grant an exemption is subject to ADR in accordance with
2 Article 13 of the ISO Tariff.

3
4 The main area of disagreement appears to be one of presumption. The
5 ISO Tariff presumes that generating facilities will comply with the ISO's
6 metering requirements, unless the facility can demonstrate that specific
7 circumstances warrant an exemption. On behalf of CAC, Mr. Ross
8 advocates an approach where the presumption would be that a QF would
9 not have to comply with the ISO's metering requirements unless it
10 voluntarily agreed to do so or unless the ISO prevails through an ADR
11 process.

12
13 Moreover, based on his testimony Mr. Ross would apparently apply this
14 presumption only to a certain class of QFs: those that have satisfied the
15 metering and interconnection standards of the Utility Distribution
16 Company's (such as the Pacific Gas & Electric Company; Southern
17 California Edison Company, or San Diego Gas and Electric Company)
18 power purchase agreement, do not provide Ancillary Services, and whose
19 operational characteristics do not materially change. While Mr. Ross
20 testifies that his proposed modification to the MSA/SC and MSA/ISOME
21 would only apply to QFs that meet the criteria just discussed, the specific
22 recommended changes to the pro forma agreements he proposes do not
23 contain this restriction. Thus for consistency, Mr. Ross should, at a
24 minimum, modify his recommendations for section 3.1.1 of the
25 MSA/ISOME and section 3.1.1 of the MSA/SC so that they are limited to
26 "a Qualifying Facility pursuant to 18 CFR 292 and operated in compliance
27 with a power purchase agreement approved by the Local Regulatory
28 Authority on the date this Agreement is made effective and which does not

1 participate in the ISO's Ancillary Services markets or materially change its
2 operating characteristics shall not..." The ISO, however, still believes that
3 such a provision is neither necessary or appropriate.
4

5 **Q. YOU STATE THAT THE METERING REQUIREMENTS ARE**
6 **ESTABLISHED IN THE ISO TARIFF. DOES THE ISO TARIFF**
7 **PROVIDE FOR ANY SPECIAL METERING EXEMPTIONS FOR QFs?**

8 A. Yes. As noted by Mr. Ross, Section 13.5.2(b)vi of the Metering Protocol
9 of the ISO Tariff provides that:

10 If a QF sells all of its Energy (excluding any Energy
11 consumed by auxiliary load equipment electrically
12 connected to that QF at the same point or any Energy
13 sold through "over the fence" arrangements as
14 authorized by Section 218(b) of the California Public
15 Utilities Code) and Ancillary Services to the U[tility]
16 D[istribution] C[ompany] in whose Service Area it is
17 located pursuant to an existing power purchase
18 agreement (which is authorized under Section 218(b)
19 of the California Public Utilities Code) and there is any
20 inconsistency between that existing power purchase
21 agreement and this Protocol, Section 10 of the ISO
22 Tariff or Appendix J to the ISO Tariff, the existing
23 power purchase agreement shall prevail to the extent
24 that inconsistency for the term of the agreement. In
25 this context, an existing power purchase agreement
26 shall mean an agreement which has been entered
27 into and is effective as of December 20, 1995.

28
29 **Q. DID ANY PARTY CHALLENGE THE REASONABLENESS OF THIS**
30 **PROVISION WHEN IT WAS FILED WITH THE COMMISSION?**

31 A. No. While the metering protocols (and other ISO protocols) were initially
32 filed with the Commission "for informational purposes" in the Fall of 1997,
33 the Commission in its December 17, 1997 Order required the ISO to file
34 the protocols pursuant to Section 205 of the Federal Power Act, within
35 sixty days of the start of ISO grid operation. The ISO made this

1 compliance filing on June 1, 1998. Neither CAC nor any other participant
2 protested this provision of the June 1998 filing.

3
4 **Q. WHY SHOULD QFs EITHER SELLING POWER INTO THE ISO'S**
5 **ANCILLARY SERVICE MARKETS OR TRANSMITTING POWER INTO**
6 **OR THROUGH THE ISO CONTROLLED-GRID COMPLY WITH THE**
7 **ISO'S METERING STANDARDS?**

8 A. Power from QFs being sold into the ISO's Ancillary Service markets or
9 transmitted into or through the ISO Controlled Grid needs to be accounted
10 for through the ISO metering and settlement systems. The ISO is not only
11 the Control Area Operator ensuring grid reliability, but also performs billing
12 and settlement activities for transactions utilizing and supporting the ISO
13 Controlled Grid.

14
15 **Q. WHY IS IT IMPORTANT FOR THE ISO TO IMPOSE UNIFORM**
16 **METERING STANDARDS ON ALL GENERATORS?**

17 A. Scheduling Coordinators arrange for the generation dispatch, transmission
18 reservation, delivery of energy, and provision of capacity for Market
19 Participants. They are also responsible for paying the ISO's charges. The
20 ISO operates a real-time imbalance market (the spot market); an Ancillary
21 Services Market with separate requirements for Regulation (Regulation up
22 and Regulation down), Spinning Reserve, Non-Spinning Reserve, and
23 Replacement Reserves; and a congestion management market. Under
24 the ISO Tariff, transmission and Ancillary Service sales are scheduled and
25 settled on an hourly basis.

26
27 Currently, the ISO processes almost 600,000 settlement line items per
28 month for approximately 20 million MWH per month of transactions with

1 gross billings of between \$200 to \$650 million. The ISO has been working
2 to automate settlement entries, including metering, and the validation
3 process. Given the volume and complexity of the transactions and the
4 need to ensure timely and accurate settlements, the ISO must require
5 uniform standards for gathering and reporting of metering data.

6 **Q. HOW ARE THE COMPUTERIZED METERING DATA USED BY THE**
7 **ISO IN ITS SETTLEMENTS AND BILLING PROCESSES?**

8 A. The ISO operates a computerized Meter Data Acquisition System
9 (MDAS). This system receives measured quantity data for each location
10 for each trading interval for each settlement day, calculates settlements,
11 and produces statements based on the data received and accepted.
12 Facilities, such as Midway Sunset Cogeneration Company, that are in
13 compliance with the ISO's metering requirements, have their data
14 automatically entered into the MDAS system.

15
16
17 **Q. PLEASE SUMMARIZE THE ISO'S POSITION WITH RESPECT TO THE**
18 **ISSUES RAISED BY CAC.**

19 A. The ISO believes that its pro forma MSA/ISOME and MSA/SC and the
20 specific MSA/ISOME's executed by Midway Sunset Cogeneration
21 Company and Texaco's North Midway project are reasonable and should
22 be approved with only the previously-agreed to changes specified in my
23 Direct Testimony and as contained in Exhibit Nos. ISO-6 and ISO-7.
24 Obtaining meter data automatically is critical to the ISO's settlements and
25 billing systems. The ISO also believes that, in accordance with the ISO
26 Tariff, all Market Participants should comply with the ISO's metering
27 requirements, unless they request and receive an exemption.

28 **Q. THANK YOU. I HAVE NO FURTHER QUESTIONS.**