

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

**Mountain West Independent System
Administrator**

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Docket No. ER99-3719-000

**MOTION TO INTERVENE AND
REQUEST FOR TECHNICAL CONFERENCE
OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.214, and the Commission’s August 5, 1999, Notice of Filing, the California Independent System Operator Corporation (“CAISO”) hereby moves to intervene in the above-captioned proceeding. The CAISO does not object to the proposed establishment of the Mountain West Independent System Administrator (“Mountain West”), but in light of the experience the CAISO has gained in operating in a contiguous control area, the CAISO has concerns regarding important aspects of Mountain West’s proposed control area operations. The CAISO believes the Commission should convene a Technical Conference to permit further examination and explanation of the operational features of the Mountain West proposal. In support of this Motion, the CAISO states the following:

**I.
COMMUNICATIONS**

Please address communications concerning this filing to the following

persons:

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**II.
BACKGROUND**

Pursuant to Section 205 of the Federal Power Act, on July 23, 1999, Sierra Pacific Power Company and Nevada Power Company ("Applicants") tendered for filing, on their behalf and on behalf of Mountain West, tariffs, *pro forma* agreements, by-laws and an explanatory transmittal letter. The filing includes both the Mountain West Tariff and the Applicants' Transmission Owner's Tariff that together define the service that Mountain West intends to provide. Mountain West proposes to assume, on an interim basis, the functions described in the Section 205 filing.

**III.
BASIS FOR MOTION TO INTERVENE**

The CAISO is a non-profit public benefit corporation organized under the laws of the State of California. It is responsible for the reliable operation of a grid comprising the transmission systems of Pacific Gas and Electric Company, San

Diego Gas & Electric Company, and Southern California Edison Company, as well as for the coordination of the competitive electricity market in California. The CAISO is the Security Coordinator for the areas of California and Mexico in the Western Systems Coordinating Council (“WSCC”).

As control area operator for approximately 40% of the load of the WSCC, the CAISO is particularly affected by any changes in the transmission grid in the Western Interconnection, but more so for contiguous states, including Nevada. The establishment and operation of an Independent System Administrator (“ISA”) in Nevada will affect the operations of the CAISO Controlled Grid. The CAISO therefore has an interest in the proceeding. Accordingly, the CAISO requests that it be permitted to intervene in this proceeding with full rights of a party.

IV. COMMENTS ON FILING AND REQUEST FOR TECHNICAL CONFERENCE

A. The Commission Should Consider this Filing in the Context of the Policies Expressed in the RTO NOPR

The CAISO does not oppose Mountain West’s proposal. In fact, we have sought to work closely with parties in Nevada to assist in creating mechanisms to ensure implementation of restructuring by the March 2000 deadline. However, the timing of this application in relation to the Commission’s recently issued Regional Transmission Organization (“RTO”) Notice of Proposed Rulemaking¹ compels the conclusion that the Commission’s action in this case will be a bellweather to the industry on the Commission’s commitment to RTOs. Given

¹ See Notice Of Proposed Rulemaking Regarding Regional Transmission Organizations, *FERC Statutes and Regulations, Proposed Regulations (CCH)* ¶ 32,541 (June 10, 1999) (the “RTO NOPR”).

that implication, we respectfully offer additional facts for the record to assist the Commission in harmonizing action on this filing with that policy.

1. Applicant is Contiguous to an Operating ISO Capable of Serving Nevada in a Timely and Cost-Effective Manner

Applicant states (Transmittal Letter at 4, note 5) that the CAISO is too complex and costly to be appropriate for Nevada. We submit for the Commission's consideration certain supplemental information. The CAISO (which has been reliably operating a large control area through two summer peaks) is contiguous to Nevada and is the largest system interconnecting Sierra Pacific and Nevada Power providing transmission service at a non-pancaked rate. The CAISO is both prepared and able to expand its operations incrementally to provide the necessary service to Nevada *in the time frame required to meet the March 2000 restructuring deadline.*

The CAISO has conducted an analysis of the cost involved in absorbing the control areas at issue in the filing. Because, with a few key differences, there are many similarities in the market design concept of Mountain West and the CAISO, and given that the CAISO's system is already in existence, the incremental cost of CAISO expansion to serve Nevada would be reasonable.

In July, the CAISO presented an overview of this analysis to the Public Utilities Commission of Nevada: "Mountain West: Independent System Operator" (July 14, 1999). This document is public, and available (or will be available before the end of the week) on the CAISO's website at <http://www.caiso.com/pubinfo/notices/>. The document is full color and therefore very expensive to reproduce. Because of its easy availability electronically and high cost to reproduce, the CAISO respectfully requests that the Commission

take official notice of this public document and include relevant information from it in the evidentiary record in this proceeding.

The CAISO presentation to the Public Utilities Commission of Nevada detailed various options the CAISO could offer to provide or support the ISA function. As noted earlier the CAISO is already up and running and currently offers services that are very similar, if not identical, to both those required of such an administrator and those proposed by Mountain West. The CAISO can certainly provide whatever service is necessary by the March 1, 2000, deadline, or even earlier if required. Moreover, the CAISO proposal is to provide service to new participants at marginal cost (leaving within the State of California the start-up costs incurred to implement California restructuring and allowing Nevada or any other state to pick the level of services it desires). Contrary to the suggestion in the Applicants' Transmittal Letter, the CAISO is able to offer many different options (from providing simple scheduling to offering complete operational control) at reasonable prices.

In addition, CAISO has responded to a request for proposals from Mountain West to provide the more limited set of functions Mountain West proposes to outsource. The CAISO proposal to Mountain West is likewise a public document and is available (or will be available before the end of the week) on the CAISO's website at <http://www.caiso.com/pubinfo/notices/>. For the same reasons of cost of production and ease of access electronically, the CAISO respectfully requests that the Commission take official notice of this document and make any relevant sections it desires a part of the evidentiary record in this proceeding.

2. *The Combination of Nevada and California is Consistent with the Commission's Expressed Policy that RTOs be of Sufficient Size*

Expansion of the CAISO to encompass Nevada's requirements would be consistent with the Commission's admonition that RTOs be of sufficient scope and configuration to permit the effective performance of required functions and to support efficient and nondiscriminatory power markets. *See RTO NOPR at 33,723, 33,729.* The Mountain West system, in contrast, is limited in scope and size. We are mindful of the concern that parties in an RTO not lose meaningful input into its operation and are actively seeking ways to ensure that any entities with which the CAISO combines are assured that their interests are protected. To that end, the CAISO recently successfully negotiated the absorption of the City of Pasadena control area.

California has the only operating ISO in the WSCC and will likely remain a significant percentage of the WSCC. We believe it would be useful for the Commission to consider how to facilitate combinations of entities of disparate size. If this issue is not resolved, there is a risk throughout the country of duplication of facilities and balkanization of transmission systems.

B. *Applicant's Proposal Raises a Number of Technical Issues*

The CAISO has experience operating markets similar to those Applicant contemplates (including ancillary services and balancing energy markets) over two summer peaks. Based on that experience, the CAISO is concerned about the feasibility of the proposal, in particular the plan for transfer of actual operations as set forth in the Mountain West filing.

1. *If Proposed Timelines are Not Practicable, Reliability of Interconnected Systems Will be Adversely Affected*

One of the fundamental features of the Mountain West proposal is the division of scheduling and dispatch between the ISA and the Transmission Owner. Under the proposal, Mountain West is to schedule energy, transmission rights and ancillary services in the day ahead and hour ahead markets, but actual control area operations are to be returned the Applicant Transmission Owner thirty minutes in advance of real time dispatch. (See Transmittal Letter at 34-39.)

Mountain West proposes to operate ancillary service markets in a manner that is substantially similar to that currently undertaken by the CAISO. In addition, Mountain West proposes a zone based system of allocating transmission into and out of the Grid placed under Mountain West's control (the "Grid"), and use of day ahead and real-time Supplemental Energy bids to address congestion internally. Again, these processes have many similarities to the system for congestion management in place in the CAISO Controlled Grid. Finally, like the CAISO, Mountain West proposes to honor existing contracts.

There are, of course, features of the Mountain West proposal that differ from the CAISO. For example, either Firm Transmission Rights (FTRs) or Recallable Transmission Rights (RTRs) are required by an entity scheduling transmission into and out of the Grid, in contrast with the CAISO model where FTRs are primarily financial rights and are not necessary to schedule over a congested path. As proposed by Mountain West, an FTR owner obtains the right to schedule over a congested path. If the FTR owner does not use the right, Mountain West can sell the right as an RTR. However, up to one hour before real time, an FTR owner can amend its schedules and exercise its FTR, in which

case the right of an RTR owner to use the path is recalled. In this case, the RTR owner must adjust its schedule accordingly within thirty minutes thereafter.

Moreover, the timing for submission of hour ahead schedules is shorter for Mountain West than in the CAISO markets. Whereas the CAISO requires that hour ahead schedules be submitted two hours before the Settlement Period, Mountain West requires that hour ahead schedules be submitted only one hour ahead.

Significantly, in the final hour before real time, Mountain West must finalize schedules, taking into account existing contracts, ancillary service market activity, FTRs, RTRs, changes to schedules resulting from FTRs that are recalled, and actual operating conditions. These activities must be undertaken in thirty minutes to allow for transfer of operational control thirty minutes before the start of the hour. Then, in the last thirty minutes before real time, the Applicant Transmission Owner must arrange for the dispatch of the scheduled service, determine and adjust services to assure reliability, operate in the ancillary services market by purchasing any needed services from others or supplying them directly, manage any last minute operational adjustments permitted in existing contracts and assure that the owners of FTRs or the purchasers of RTRs are properly using their contractual rights.

The use of FTRs and RTRs as contemplated by Mountain West adds further complexity to its tasks. Moreover, any potential issues that arise are amplified by halving the time between the close of the hour ahead market and real-time (one hour rather than two). The final, and potentially most significant reliability issue is the planned transfer of control to Applicant Transmission

Owners, halfway through the activities that must occur between the close of the hour ahead market and real time.

2. *The Complexity of the Proposal and the Implications for Neighboring Systems Requires a Technical Conference at Which All Parties and the Commission Could Explore the Feasibility of the Proposal*

The CAISO was the first in the world to rely solely on markets for ancillary services and balancing energy and has the most experience to date in operating in this environment. Our experience demonstrates the challenge entailed in implementing ancillary services markets, addressing congestion and honoring existing contract rights within the final hours before and in real time. The CAISO's experience has been that there are significant tasks that must be performed and significant changes that take place during the last hour before real time, and that even with the best schedule and plans, there can be significant changes and adjustments required to be made even within the last few minutes before real time dispatch. In the Mountain West proposal, the critical final time frames in which Mountain West and the Applicant Transmission Owner must act are further significantly restricted by the need to effect a transfer of control.

This transfer of control during final periods could result in frequent out of market actions, and decisions that are significantly different than what is desirable in terms of effective and efficient market choices. Such actions and decisions have the potential to create concerns regarding actual or perceived discriminatory actions, particularly with respect to Applicant Transmission Owner activity. In turn, this environment could foster challenges and disputes from market participants. As the contiguous control area, the CAISO is concerned

about increasing opportunities for disputes, but also that, ultimately, overly tight time frames could impact reliability.

These are issues the CAISO would be concerned about resolving if its proposal to provide services to Mountain West were accepted. As one of the neighboring control areas, the CAISO believes that it must be assured of the workability of the proposal, whoever implements it. If the implementation is by an organization without proven experience, the need for the inquiry is particularly acute.

Because the types of questions that should be examined involve issues relating to day-to-day operations, they can best be explored at this stage through discussions during a Technical Conference. Such a conference could be scheduled in September, providing sufficient time for the Commission to satisfy Applicants' request for a preliminary order from the Commission by November 1, 1999, if the Commission is otherwise ready to act.

IV. CONCLUSION

Wherefore, for the foregoing reasons, the CAISO respectfully requests that the Commission permit it to intervene, that it be accorded full party status in this proceeding, and that the Commission convene a Technical Conference to discuss the operations of Mountain West as described above.

Respectfully submitted,

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Counsel for the California
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Date: August 23, 1999

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 Washington, DC, on this 23rd day of August, 1999.

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August 18, 1999

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

Re: **Mountain West Independent System Administrator,
Docket No. ER99-3719-000**

Dear Secretary Boergers:

Enclosed for filing are one original and 14 copies of the Motion to Intervene of the California Independent System Operator Corporation in the above-referenced 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.

Respectfully submitted,

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