

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

**California Independent System) Docket No. ER05-849-000
Operator Corporation)**

**MOTION FOR LEAVE TO FILE ANSWER AND ANSWER OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO
MOTIONS TO INTERVENE,
COMMENTS, AND PROTESTS**

I. INTRODUCTION AND SUMMARY

In its November 19, 2004 order,¹ the Federal Energy Regulatory Commission (“Commission” or “FERC”) directed the California Independent System Operator Corporation (“ISO”) to conduct a stakeholder process to develop specific terms to conform the ISO Tariff to reflect the fundamental principles for self-supply of Station Power as developed in prior FERC orders. On April 18, 2005, the ISO filed Amendment No. 68 to the ISO Tariff in the above-captioned docket (“Amendment 68”). Amendment 68 would modify the provisions of the ISO Tariff to allow for the self-supply of Station Power, either remotely or on-site, by Generating Units operating under the ISO Tariff.²

A number of parties have moved to intervene in the present proceeding. Some of the motions to intervene include comments or protests concerning Amendment 68³. One intervenor, State Water Project, affirmatively supports the

¹ 109 FERC ¶ 61,170

² Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

³ Motions to intervene, comments, and protests were filed by the following entities: California Electricity Oversight Board (“EOB”), California Department of Water Resources/State Water

ISO's Amendment 68 filing in total. Six intervenors raise no substantive issues with the proposal.⁴ Pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213, the ISO hereby requests leave to file an answer, and files its answer, to the motions to intervene, comments, and protests submitted in this proceeding⁵. The ISO does not oppose the intervention of any party that has sought leave to intervene in the proceeding.

For the reasons set forth below, the Commission should approve Amendment 68. The ISO has crafted its Station Power proposal to closely track the Commission-approved Station Power provisions contained in other independent system operators' tariffs. Through the stakeholder process, the ISO provided multiple opportunities for comment and developed detailed

Project ("State Water Project"), California Public Utilities Commission ("CPUC"), Calpine Corporation ("Calpine"), The Cogeneration Association of California and the Energy Producers and Users Coalition ("CAC/EPUC"), Constellation Generation Group, LLC ("CGG"), Duke Energy Moss Landing LLC ("Moss Landing") Independent Energy Producers Association ("IEP"), Mirant Americas Energy Marketing, LP, Mirant California, LLC, Mirant Delta, LLC and Mirant Potrero, LLC ("Mirant"), The Northern California Power Agency ("NCPA"), Pacific Gas and Electric Company ("PG&E"), The Cities of Redding and Santa Clara, California, and the M-S-R Public Power Agency ("Redding/MSR"), Southern California Edison Company ("SCE"), and Williams Power Company ("Williams").

⁴ For example, PG&E states that it believes the ISO has "generally found a reasonable way to implement the Commission's directives" (PG&E at 2). In addition, interventions by Mirant and Redding/MSR take no position on these issues. The interventions of these entities, to the extent that they agree with the ISO proposal, will not be discussed further in this Answer.

⁵ Some of the parties that have submitted filings concerning Amendment 68 requesting affirmative relief in the form of pleadings styled as protests. There is no prohibition on the ISO's responding to the assertions in these pleadings. Florida Power & Light, 67 FERC ¶ 61,315 (1994). Additionally, to the extent that this Answer is deemed an answer to protests, the ISO requests waiver of Rule 213 (18 C.F.R. § 385.213) to permit it to make this Answer. Good cause for this waiver exists here because the Answer will aid the Commission in understanding the issues in this proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case. See, e.g. Entergy Services, Inc., 101 FERC ¶ 61,289, at 62,163 (2002); Duke Energy Corporation, 100 FERC ¶ 61,251, at 61,886 (2002); Delmarva Power and Light Company, 93 FERC ¶ 61,098, at 61,259 (2002).

documentation of the ISO proposal in direct response to stakeholder comments. The ISO considered all comments received from the active stakeholders on this matter and made every effort to accommodate stakeholder concerns, as evidenced by the many changes to the proposal that the ISO made in response to stakeholder comments.⁶ Consistent with that spirit, the ISO also offers certain clarifications in this Answer that are responsive to intervenor comments.

The ISO has requested that Amendment 68 be made effective in early 2006 upon notice by the ISO that the necessary systems and processes are ready and in place. The ISO continues to believe that this schedule reflects an appropriate balance of all competing considerations. Recognizing that FERC and several participants expect this program to be implemented at the earliest possible date, the ISO also outlines the implications of earlier implementation.

As explained in the initial Filing Letter for Amendment No. 68,⁷ the ISO is in the process of replacing its settlement system and is preparing for between two and four months of parallel operations of the existing system and the new Settlement and Market Clearing (“SaMC”) system. These parallel operations are expected to commence in November 2005 and continue into 2006. Parallel operations will support the complex transition as the ISO and Scheduling

⁶ Specific changes the ISO made in Amendment 68 to respond to stakeholder comments included the following: 1) modified the definition of Station Power to make clear that load associated with motoring a hydroelectric unit is eligible; 2) clarified that eligibility is extended to all Generating Units that operate under the terms of a Participating Generator Agreement (PGA), Qualifying Facility PGA or Metered Subsystem Agreement; 3) specified that entities eligible included government agencies and joint powers agencies; 4) clarified that the responsible UDC or MSS Operator and Local Regulatory Authority would have access to information regarding the composition of the Station Power Portfolio including one-line diagrams to verify whether or not distribution facilities are involved in the self-supply of Station Power; and 5) included provision to provide recovery of lost transmission revenues in response to a concern by Participating Transmission Owners.

⁷ Amendment 68 Transmittal letter, pages 15 and 16.

Coordinators seek to verify that the thousands of lines of documentation associated with each settlement statement are properly translated.

Implementation of Amendment 68 before the end of the settlement system parallel operations would require coding and configuration changes on both the existing system and the SaMC system, together with required testing - a duplication of effort that would further strain the limited resources that are focused on bringing the new SaMC system into operation.

Implementation timing and other issues raised by intervenors are discussed in greater detail below.

II. ANSWER

A. IMPLEMENTATION OF THE SELF-SUPPLY OF STATION POWER BEFORE THE ISO'S NEW SETTLEMENT SYSTEM IS IN PRODUCTION WOULD IMPOSE ADDITIONAL COSTS ON ALL MARKET PARTICIPANTS AND COULD DELAY THE ROLL-OUT OF THE NEW SETTLEMENT SYSTEM

Several intervenors contend that Amendment 68 should become effective before implementation of the ISO's new settlement system is complete. Moss Landing argues that the ISO has not specified the savings resulting from the ISO's proposed delay in implementation of Amendment 68, and that such efficiencies are outweighed by the harm to Moss Landing and others. Moss Landing, Williams and CGG advocate implementation in June 2005. IEP advocates immediate implementation and Calpine argues for the earliest feasible date certain.⁸

⁸ Moss Landing at 5, Williams at 4, CGG at 6, IEP at 6 and Calpine at 2.

The ISO and at least one intervenor⁹ believe that it makes more sense and would be more efficient to place the proposed Station Power proposal into effect coincident with the conclusion of parallel operations of the existing settlement system and the new SaMC program. This period of parallel operations is designed to assist Scheduling Coordinators and the ISO in making a smoother and more orderly transition to the new settlement system. During this period of parallel operations, the ISO and its clients will be able to compare statements from both settlement systems, and test metering and charge type alignments. This provides additional business controls for the new settlement system and also enables Scheduling Coordinators to test their own systems and bring them on line at a pace that fits their plans and operations. The ISO expects that parallel operations will be completed and SaMC will be placed in production by the end of the first quarter of 2006.

Software system design and coding for this new and significantly improved settlement system has already begun, and the ISO proposes to add the changes necessary to integrate the Station Power terms into the SaMC system effective at the end of parallel operations.¹⁰ This schedule allows for a disciplined process in which the “automated” charge code to handle Station Power settlements is designed, configured and tested as part of the SaMC “Configuration Change Control” process in time to be placed in the final production version of SaMC

⁹ The intervention filed by the State Water Project “supports the ISO’s effort to reduce wasteful spending by attempting to release only one version of software after the implementation of the new platform under MRTU”.

¹⁰ However, the requirements for any system changes necessary to integrate the terms of Amendment 68 have not yet been developed.

following SaMC parallel operations. The ISO proposed this approach in Amendment 68 because it allows the ISO to make a single set of modifications to settlements software, and it also minimizes risk to the SaMC rollout schedule.

If the implementation of the Station Power proposal were required in advance of the implementation of SaMC, then the ISO would need to implement redundant manual settlement processes to accommodate the Station Power settlement during parallel operations. Implementing the Station Power proposal by November 1, 2005 is possible – but only if a manual adjustment procedure is designed on the current settlement system, as well as a pass-through bill adjustment on the SaMC system. These manual workarounds are by no means optimal, but they would have the lowest risk of causing additional and costly delays in the SaMC implementation. However, implementation of a manual process does not entirely eliminate the risk of delaying SaMC because of the existence of other critical projects impacting the Settlements department. Implementing the settlement system changes for Station Power service by November 1, 2005 also assumes that no significant additional changes become necessary in the same time frame, and that the Commission does not order any changes in the details of Station Power terms after September 1, 2005.

If the Commission directs the ISO to implement the Station Power proposal before November 1, 2005, then site acceptance testing of the SaMC system may be delayed because the ISO would need to divert testing staff to develop the manual tools required to use the existing settlement system for the initial implementation of Station Power. Site acceptance testing is on the critical

path to the initiation of parallel operations: so, any delay in such testing increases the risk of delaying parallel operations, which in turn could delay the ultimate rollout of the SaMC system.

The implementation of Station Power cannot be viewed in isolation. The Settlements Department resources (including additional contractors) are fully committed. In addition to their daily production responsibilities for processing thousands of monthly statements for multiple ISO Markets and transmission customers, the staff of the Settlements Department are deeply involved in the following significant projects: SaMC implementation; a 3-year settlements adjustment/rerun project; implementation of Amendment 66; implementation of the 2004-2005 GMC partial settlement; and the comprehensive MRTU design and testing. These projects will strain available resources until completion of parallel operations.

In the interest of the efficient allocation of the ISO's limited resources to support changes important to market participants, the ISO submits that it is appropriate to defer implementation of the Station Power initiative until the parallel testing of SaMC is completed and all the new systems are thoroughly tested and available to work as a unit. As indicated above, if the Commission believes that earlier implementation is essential, then the ISO can develop manual tools to allow for redundant implementation in both the existing and SaMC systems. Although this approach would be inefficient and result in significant redundancy, the ISO believes it could be implemented by November 1, 2005 without any significant additional risk to the schedule for SaMC

implementation. However, as explained above, implementation earlier than November 1, 2005 increases risks to the SaMC schedule due to the need to divert resources to the early development of manual settlement tool that would otherwise be committed to site acceptance testing of the SaMC system.

B. THE RELATIONSHIP OF PERMITTED NETTING AND ON-SITE SELF SUPPLY SHOULD BE CLARIFIED

Moss Landing contends that references to permitted and prohibited netting are both inaccurate and confusing. Moss Landing advocates using the term “Contemporaneous Netting” for “Permitted Netting” and “Non-Contemporaneous Netting” for “Prohibited Netting” to eliminate what Moss Landing describes as inconsistency and confusion created by implication that monthly netting is prohibited by the metering protocols. Moss Landing also argues that if monthly output is positive, all Station Power load has been met by On-Site Self Supply, and advocates revising SPP 3.1 accordingly.¹¹

CAC/EPUC contends that the term “self-supply” is used for several different purposes, and that SPP 1.1 would exclude permitted netting from On-Site Self-Supply while the definition of On-Site Self Supply would include such contemporaneous self-supply. CAC/EPUC suggests that SPP 1.2.1 implies that supply used for “permitted netting” would be required to be qualified as a Station Power Portfolio. CAC/EPUC also argues that SPP 6.1 would require a Meter Service Agreement and separate meter for service that may be netted under the existing Metering Protocol.¹²

¹¹ Moss Landing at 8.

¹² CAC/EPUC at 3-4.

There is an important distinction between Station Power served by non-contemporaneous On-Site Self Supply and Station Power that is eligible for “permitted netting” under the Metering Protocol. The former is responsible for ISO charges that are assessed on metered Demand, except the Access Charge, while the latter is not responsible for any ISO charges. An additional distinction is that Remote Self Supply may be contemporaneous self-supply – but it is never eligible for permitted netting.

The ISO offers below several non-substantive changes to the Station Power proposal that the ISO believes address the concerns expressed by Moss Landing and CAC/EPUC. These changes are based on the following simple principle: the proposed terms for self-supply of Station Power do not involve any change in the rights or opportunity for self-supply through contemporaneous, on-site Generation as allowed under MP 2.3.5 and MP 2.2.4.3,¹³ and no charges on the Station Power load served by such contemporaneous on-site Generation apply.

In Amendment 68, the ISO’s premise was that the clearest approach would be to define On-Site Self Supply in such a manner that all Station Power load served by On-Site Self Supply would be treated consistently with respect to ISO charges. Therefore, the ISO intended to exclude from the definition of On-Site Self Supply any contemporaneous on-site Generation used to serve Station Power load through permitted netting. This premise appears to be the principal source of confusion for both CAC/EPUC and Moss Landing. Therefore, the ISO

¹³ This principle was reflected in SPP 1.3.1, which specifically states that the SPP neither expands opportunities for nor imposes additional conditions on permitted netting as allowed under the Metering Protocol.

offers the following changes that are intended to modify that convention to (1) include contemporaneous on-site Generation in the definition of On-Site Self Supply, and (2) make clear that the portion of On-Site Self Supply associated with netting permitted under the existing ISO Tariff is not subject to any charges. Several changes are required to effectuate this, the first of which is to revise the definition of On-Site Self Supply to include Energy associated with service to Station Power load that is netted under the existing Metering Protocol:

“On-Site Self-Supply” Energy from a Generating Unit that **self-supplies all or a portion of its contemporaneous Station Power Load that is netted pursuant to MP 2.2.4.3, or** is deemed to have self-supplied all or a portion of its associated **non-contemporaneous** Station Power load without use of the ISO Controlled Grid during the Netting Period **pursuant to SPP 3.1.**

Given this revised definition of On-Site Self Supply, the ISO also proposes the following revision to SPP 1.1 to eliminate redundancy, and to recognize that supply used to serve load that is subject to “permitted netting” is included in the definition of On-Site Self Supply: ¹⁴

SPP 1.1 Procurement

Station Power may be voluntarily self-supplied through a) ~~permitted netting as provided in the Metering Protocol MPP 2.2.4.3 or MP 2.3.5 using Energy generated contemporaneously at the same location,~~ b) On-Site Self Supply or c) Remote Self Supply. Third Party Supply may serve Station Power only to the extent permissible under the rules and regulations of the applicable Local Regulatory Authority.

¹⁴ Since Energy serving Station Power load that is eligible for permitted netting is now proposed to be included in the definition of On-Site Self Supply, there is no need to distinguish “permitted netting” as a separate source of self-supply.

Consistent with the suggestion by CAC/EPUC, and in the interest of affirming the limitation described in SPP 1.3.1 that the SPP does not change the terms under which netting is permitted under the existing ISO Tariff, the ISO proposes to modify SPP 1.2.1 as follows:

SPP 1.2.1 Only Station Power loads associated with Generating Units in the ISO Control Area that are part of an approved Station Power Portfolio may be self-supplied in accordance with this SPP. Each Generating Unit must be subject to a PGA, QF PGA, or MSS Agreement. Any generating facility outside the ISO Control Area owned by the same entity is eligible to provide Remote Self-Supply to Station Power loads, subject to the terms of this SPP. Generating Units wishing to self-supply Station Power, **by means other than netting permitted under MP 2.2.4.3**, shall complete the application process specified in SPP 2.

With the change in the definition of On-Site Self Supply, a conforming change to SPP 3.1 must be made:

SPP 3.1 Self-Supply Verification

At the end of each Netting Period, the ISO will calculate the Net Output for each Generating Unit in the Station Power Portfolio. If the Net Output is positive, then all Station Power associated with that Generating Unit, ~~other than load netted in accordance with the Metering Protocol,~~ will have been served by On-Site Self Supply. Any positive Net Output from facilities in the Station Power Portfolio will be available to provide Remote Self Supply to any Generating Unit with negative Net Output. If the available Remote Self Supply is less than the aggregate negative Net Output in the Station Power Portfolio, then such shortfall will be deemed to have been served by Third Party Supply. The ISO will incorporate these determinations in its accounting and billing for the Netting Period by reassigning Station Power to unique load identifiers for Remote Self Supply and Third Party Supply, as required.

Consistent with the limitations described above, and to address CAC/EPUC's concern that SPP 6.1 would impose a new obligation on "permitted

netting”, the ISO offers a final proposed revision to further clarify that no additional requirements are imposed on permitted netting:

SPP 6.1 In order to self-supply Station Power by means other than netting permitted under the Metering Protocol, a Generating Unit must be subject to a Meter Service Agreement for ISO Metered Entities. A meter certified in accordance with the ISO Tariff is required for Station Power Load. Separate metering is required for any on-site Load that does not meet the definition of Station Power. Under no circumstances may ineligible Loads be included in the meter data collected by the ISO from a Station Power meter.

The ISO emphasizes that none of the modifications offered above involve any substantive changes from the terms that Amendment 68 was intended to provide.

C. THE PROPOSED APPLICATION REQUIREMENTS APPEAR SUFFICIENT FOR THE INTENDED PURPOSE

SPP 2.1(a) specifies that each application for a Station Power Portfolio must include “(o)ne-line diagrams clearly showing the location and ownership of all Generating Units and Station Power meters, their connection to the ISO Controlled Grid or distribution system, and the status of breakers and switchgear for normal system operation.” The specifics of this requirement were developed in direct response to comments from the CPUC regarding the scope of information that should be required. However, the CPUC argues that additional details are necessary.¹⁵

¹⁵ The CPUC argues that “(a)t a minimum, generators should also provide diagrams that show the appropriate power flows, open circuit breakers, visual disconnects, switch gear and/ or transfer switches, and service entrances. In addition, the ISO should provide the generator and bus identifiers. Moreover, Station service load should be identified at various plant outputs both in MW and MVAR (at minimum full power). Additional diagrams show coordination of the

The ISO believes that it may be informative to know the typical connections used under normal operating conditions and the range of power draw through each Station Power connection point based on the Generating Unit's designed range of operation. Peak expected power draw might be useful to provide insight regarding the maximum meter readings. However, the other information requested by the CPUC appears to go beyond what is required for the purpose of verifying the metering configurations for the self-supply of Station Power.

D. THE PROPOSED ADMINISTRATIVE CHARGE IS REASONABLE AND SHOULD BE APPROVED

Moss Landing contends that the ISO included no justification of the administrative charge, and asks the Commission to reject the administrative charge until the ISO refiles with appropriate cost support.¹⁶ Williams contends that the administrative charge is speculative, unsupported and such expenses should already be covered by GMC.¹⁷

The Commission has previously approved fees the ISO has proposed to recover costs that the ISO would incur for special services established under the ISO Tariff. For example, in ISO Tariff Amendment No. 42 (FERC Docket No. ER02-922), the ISO proposed a forecast fee to defray the cost of developing forecasts for Eligible Intermittent Resources that elect to participate in the ISO's Participating Intermittent Resource Program ("PIRP"). Neither the level of

generation system with the local distribution or transmission system, and station service sources under all conditions." (CPUC at 6-7).

¹⁶ Moss Landing at 9-10.

¹⁷ Williams at 6-8.

participation in that program nor the actual cost of the forecasting services were known, yet the Commission accepted the ISO's proposed forecast fee of \$0.10 per MWh.¹⁸

The administrative charges proposed in Amendment 68 are similar to the administrative charges that the Commission approved for PIRP in that the self-supply of Station Power is a voluntary program and the ISO does not know with certainty at this time the level of participation in the Station Power program or the actual costs that it will incur in reviewing applications and reassigning meter data each month. The ISO is essentially proposing an initial rate for a new service and has based the level of the fee on the ISO's estimate of the types of costs it will incur in providing the new service. In that regard, the tasks associated with supporting a Station Power program are new tasks that the ISO does not now perform and which were not included in the ISO's 2005 budget. As a result, these activities are not reflected in the existing design of the Grid Management Charge. Finally, the proposed administrative charges are entirely consistent with the principle that charges should be designed based on cost causation.¹⁹ For these reasons, the Commission should accept the ISO's proposed administrative fees as filed. The level and design of the administrative charge can be further reviewed in the next GMC rate proceeding, consistent with standard Commission

¹⁸ 98 FERC ¶ 61,327

¹⁹ For example; the Commission has stated that"

[i]n Docket No. ER02-2595-000, *et al.*, the Midwest ISO took an important initial step in unbundling market costs from its Schedule 10 ISO Cost Adder by proposing separate charges in Schedules 16 and 17 to recover costs associated with implementing FTR Service and Energy Market Service.

Midwest Indep. Transmission System Operator, Inc., 108 F.E.R.C. ¶ 61,236 at P 293 (2004).

practice. No intervenor has stated legitimate grounds for rejecting the proposed administrative fee as an initial rate for a new service. In any event, for the same reasons the Commission approved the PIRP administrative fee, the Commission should approve the proposed Station Power program administrative fee.

Moss Landing contends that it is unclear whether the ISO is proposing to calculate net output for each unit on a site even if a single meter is used. Moss Landing also argues that the ISO should clarify how charges would apply if multiple units were connected behind a single meter. The ISO clarifies that the verification process described in SPP 3.1 would occur at the meter, which is the level of aggregation used for scheduling, metering and settlement. For example, if the output of two units is aggregated as a Physical Scheduling Plant behind a single meter, then Net Output would be defined based on data aggregated by that single meter, and the ISO would use the meter data for validation in the same way that it would if only a single unit were behind the meter.²⁰

E. A REASONABLE TIMEFRAME FOR REVIEWING APPLICATIONS AND IMPLEMENTING NECESSARY CHANGES IS APPROPRIATE

Moss Landing recommends that FERC "impose a 30-day deadline for the completion of the application process." The ISO concurs that some specificity on the timing for review and implementation is reasonable, and offers the following proposed changes.²¹

SPP 2.1.2 On the ISO's written request, the applicant will provide additional information that the ISO reasonably determines is

²⁰ It should be noted, however, that some distinction may still theoretically be necessary if one source of self-supply behind the meter requires the use of state-jurisdictional distribution facilities, while another does not.

²¹ The existing text under SPP 2.1 would be numbered as SPP 2.1.1.

necessary to verify the planned operation of the Station Power Portfolio and meet the requirements of SPP 2.1.1.

SPP 2.2.2 ~~No changes may be made to the metering configuration or identity of any generating facilities included in a Station Power Portfolio unless they are approved 30 days in advance by the ISO.~~ **The ISO shall promptly review each application to establish or modify a Station Power Portfolio. Within ten (10) Business Days after the submittal of the application, the ISO shall notify the applicant in writing that the application is complete, or shall list any specific deficiencies or additional information that the ISO reasonably requires to process the application. The ISO shall use all reasonable efforts to make the changes necessary for the new or modified configurations to take effect and the Station Power Portfolio to begin self supplying Station Power within twenty (20) Business Days after a complete application, including any additional information requested by the ISO, is submitted. In no event shall a Station Power Portfolio begin self-supplying Station Power until any and all required changes to the configuration of metering or other equipment are completed as required under SPP 6.** The ISO will have an ongoing right to request additional information reasonably necessary to verify that conditions on the self-supply of Station Power as specified in this SPP are met.

F. THE ISO'S PROPOSED TERMS AND CONDITIONS FOR THE SELF-SUPPLY OF STATION POWER HAVE NO IMPACT ON THE MUST OFFER OBLIGATION, MINIMUM LOAD COMPENSATION, OR UNINSTRUCTED DEVIATION PENALTIES

Calpine suggests that the interaction of Station Power self-provision, the Uninstructed Deviation Penalties (“UDP”) and the “must-offer obligation” should be clarified.²² Williams suggests that the interaction among Station Power, UDP and the must-offer obligation is unclear, and asks whether a Generator would be subject to UDP for deviations between scheduled Station Power and actual Station Power. Williams offers the following example: If a unit is off line the entire month, and the ISO rescinds the “must-offer” waiver of one unit on the last

²² Calpine at 2.

day of the month, would the unit be permitted to schedule enough power to ensure that Net Generation covers the Station Power? Would Minimum Load Cost compensation be denied? Would the Energy settle in a manner similar to RMR Energy scheduled at the RMR Contract Energy Load Point?²³

First, the ISO has no authority to implement UDP until a tariff amendment specifying an effective date is filed and accepted by the Commission. Further, under the ISO's proposed terms for self-supply of Station Power, any scheduled or instructed Generation in the Netting Period is eligible to attribute toward the self-supply of Station Power, so there is no need to undertake uninstructed deviations. There is no justification for uninstructed deviations to self-supply Station Power, or any need for a Station Power exception from UDP. Second, the ISO's proposed terms for self-supply of Station Power do not change any existing rights or obligations related to the "must-offer obligation" or Minimum Load Cost compensation. Any deviations between scheduled and metered Generation will be treated in accordance with the ISO Tariff. A Must-Offer Generator would not have any new entitlement to over-generate to self-supply Station Power while maintaining Minimum Load Cost compensation. Finally, no additional Energy may be scheduled to an RMR Contract Energy Load Point. Simply put, the ISO's proposed terms for self-supply of Station Power have no effect on the Day Ahead or Hour Ahead scheduling processes, or on real time Dispatch.

²³ Williams at 8-9.

III. CONCLUSION

WHEREFORE, for the reasons set forth above, the ISO respectfully requests that it be allowed to place into effect ISO Tariff Amendment 68 as proposed in its filing of April 18, 2005.

Respectfully submitted,

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May 24, 2005

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May 24, 2005

BY ELECTRONIC TRANSMISSION

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Docket No. ER05-849-000**

Dear Secretary Salas:

Enclosed for electronic filing please find a Motion for Leave to File Answer and Answer of the California Independent System Operator Corporation to Motions to Intervene, Comments and Protests in the above-referenced docket.

Thank you for your assistance in this matter.

Very truly yours,

/s/ Gene L. Waas
Gene L. Waas

Counsel for the California Independent
System Operator Corporation

Enclosures

cc: All parties of record

CERTIFICATE OF SERVICE

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

Dated at Folsom, CA, this 24th day of May, 2005.

/s/ Gene L. Waas

Gene L. Waas