

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

**California Independent System            )       Docket No. ER04-938-\_\_\_\_  
Operator Corporation                        )**

**MOTION FOR CLARIFICATION OF THE CALIFORNIA INDEPENDENT  
SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 212 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.212 (2005), the California Independent System Operator Corporation (“CAISO”)<sup>1</sup> submits this motion for clarification of the Commission’s Order on Rehearing and Compliance Filing, 112 FERC ¶ 61,136, issued in the captioned docket on July 26, 2005 (“July 26 Order”). As explained below, the CAISO requests clarification regarding the appropriate decremental reference price (“DRP”)<sup>2</sup> to charge a generating unit that has been shut down and which cannot restart in time to meet its Day-Ahead schedule for the next day due to legitimate operational limitations.

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff.

<sup>2</sup> A DRP is also known as a “decremental bid reference level” or a “decremental reference level.” A reference level for a unit between 0 and the unit’s minimum operating level or “Pmin” (but not a reference level for a unit between Pmin and the unit’s maximum operating level or “Pmax”) is also sometimes known as the unit’s “shut-down reference level” or “shut-down reference price.”

## I. Motion for Clarification

In its July 26 Order, the Commission stated in part relevant to the instant motion:

During period (a) (the period when the shut down [of a generating unit] is needed to manage intra-zonal congestion, the production reduction resulting from the shut-down is that associated with the unit's minimum operating level, and the shut-down reference price is the appropriate reference price . . . . However, for some units, a shut down direction will prevent the unit from restarting in time to meet the unit's day-ahead energy schedule in the next day due to legitimate operational limitations. As a result, the shutdown direction will reduce the amount of energy production during the next day below its day-ahead energy schedule. For these production reductions that occur subsequent to the period of the shut-down direction (i.e., during period (b)), the decremental reference price corresponding to the unit's day-ahead schedule is the appropriate reference price . . . .<sup>3</sup>

The CAISO requests that the Commission clarify the appropriate DRP to be charged during period (b) in light of the Commission's statement that, during period (b) the DRP "corresponding to the unit's day-ahead schedule is the appropriate reference price . . . ." As the Commission is aware, there are two categories of DRPs: (1) the DRP that applies to a generating unit's capacity between zero MW and Pmin (*i.e.*, the shut-down reference price or SDRP), and (2) the DRP that applies to that same generating unit when the unit's capacity is between Pmin and Pmax.<sup>4</sup> Where the Commission refers to the "decremental

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<sup>3</sup> July 26 Order at P 20 (emphasis omitted).

<sup>4</sup> DRPs between Pmin and Pmax were introduced in the proceeding on Amendment No. 50 to the CAISO Tariff. See Refund Report of the CAISO, Docket No. ER03-683-009, at 1-4 (May 18, 2005) (containing background information on Amendment No. 50). DRPs between zero MW and Pmin, by contrast, were introduced in the proceeding on Amendment No. 61 to the CAISO Tariff. See *California Independent System Operator Corporation*, 108 FERC ¶ 61,193, at PP 5, 10-13 (2004).

price corresponding to the unit's day-ahead schedule" the CAISO interprets the Commission to mean one or the other of these two categories of DRP, depending on the operating point of the unit (*i.e.*, either between zero MW and Pmin or between Pmin and Pmax). Thus, the DRP to be charged a generating unit under scenario (b) as described in the July 26 Order may differ depending on which of the two categories is applicable. This is illustrated by the following two examples, and the CAISO requests that the Commission clarify that the application of the DRPs in each of the following examples reflects the Commission's intent in the July 26 Order.

**Example 1 (depicted in Figure 1, below): Shut-down and return to a non-zero schedule**

The scenario depicted in Figure 1 involves a 300 MW generating unit with a Pmin of 100 MW, and a flat (*i.e.*, non-changing) Day-Ahead Schedule of 200 MW. The unit is initially decremented from its Day-Ahead Schedule to its Pmin, from which point it subsequently is shut down. In this scenario, the unit has a six-hour minimum downtime, so when the instruction is received to return to schedule after having been at zero MW for three hours, there is an additional three-hour wait before the unit can restart and ramp back up.

The CAISO understands "period (a)" (as defined in the July 26 Order) to correspond to the portions of Figure 1 that are shown in shading to the left of the line labeled "Instruction Given to Return to Schedule," from the start of the decremental instructions until the "return to schedule" instruction is given. Further, the CAISO understands "period (b)" (as defined in the July 26 Order) to correspond to the portions of Figure 1 that are shown in shading to the right of

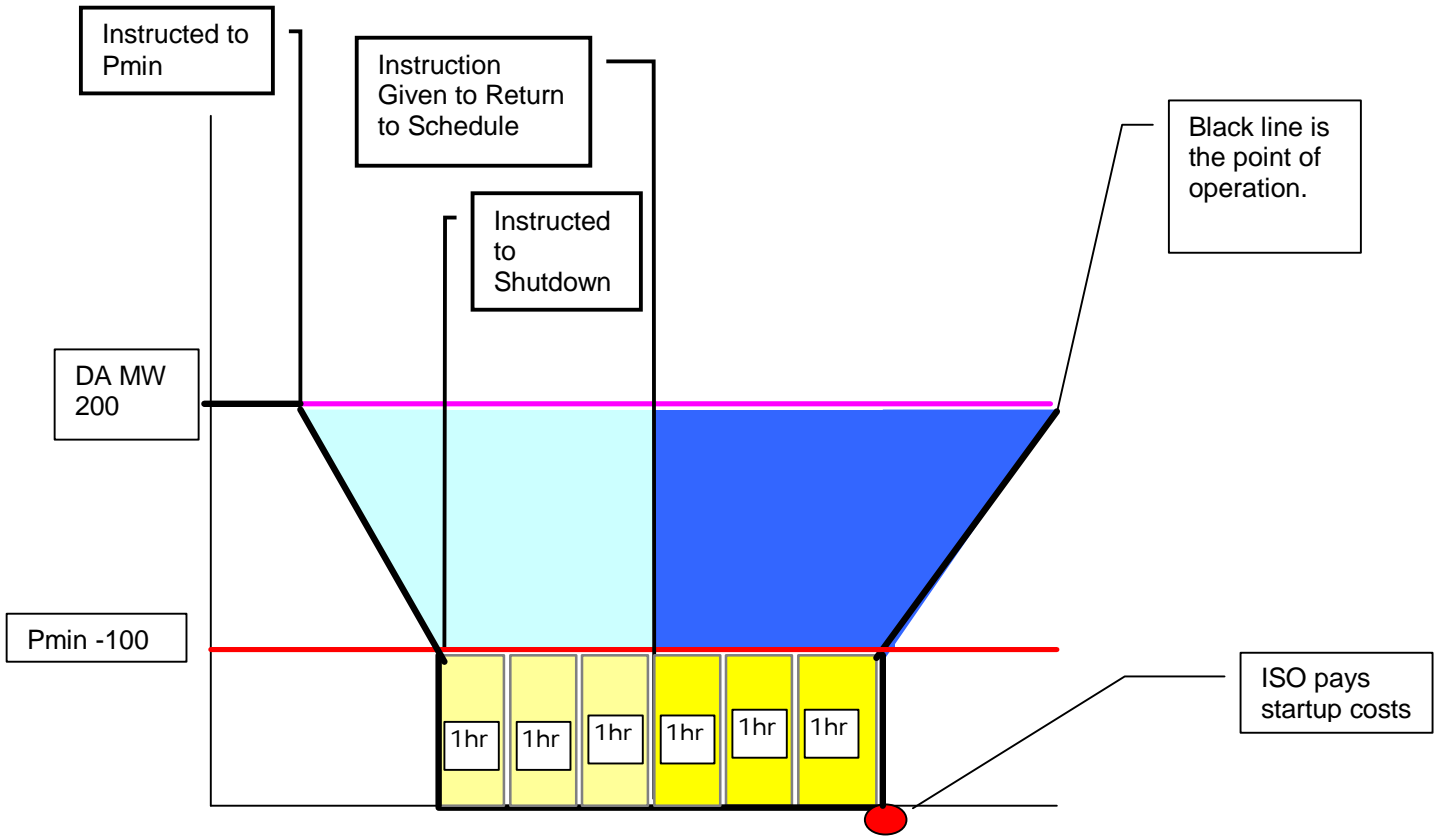
the line labeled “Instruction Given to Return to Schedule,” from the point at which period (a) ends until the Day-Ahead Schedule is reached. From a CAISO settlements perspective, with respect to all of the energy above Pmin (in any of the shaded portions of Figure 1 that are above the line labeled “Pmin -100”), the unit owner would be charged the lower of the DRP that applies between Pmin and Pmax or the settlement interval zonal ex-post price.<sup>5</sup> With respect to all of the energy below Pmin (in any of the shaded portions of Figure 1 that are below the line labeled “Pmin -100”), the unit owner would be charged the lower of the DRP that applies for the operating range between zero MW output and the unit’s Pmin and the settlement interval zonal ex-post price.<sup>6</sup> The CAISO also pays start-up costs when the unit is restarted (shown as a circle in the bottom right-hand corner of Figure 1).

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<sup>5</sup> See CAISO Tariff, § 7.2.6.1.

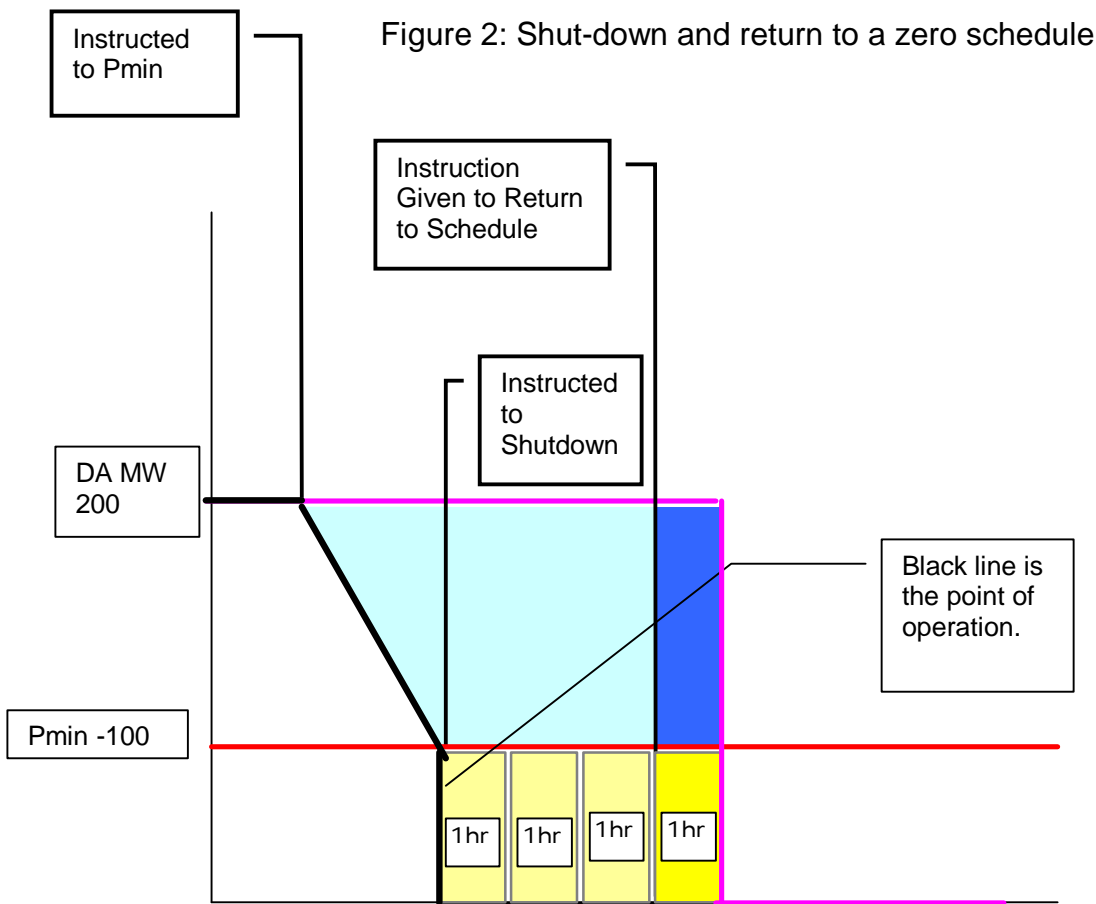
<sup>6</sup> See *id.*

Figure 1: Shut-down and return to a non-zero schedule



**Example 2 (depicted in Figure 2, below): Shut-down and return to a zero schedule**

The scenario depicted in Figure 2 is the same as the one depicted in Figure 1, except that, in Figure 2, the unit's schedule is zero MW from the start of the fifth hour after the initial shut-down instruction is given. In this case, the CAISO interprets the July 26 Order to mean that, after the end of the fourth hour, the CAISO is not obligated to pay for any further energy due to the six-hour minimum shut-down period, as the schedule is zero MW. Additionally, the CAISO will not pay for start-up costs because no start-up is needed to zero MW.



The CAISO requests that the Commission clarify that the CAISO's interpretation of the July 26 Order, as illustrated in the two scenarios depicted above, is correct. In particular, the Commission should clarify that, by its statement that the appropriate reference price for period (b) is the DRP corresponding to the unit's Day-Ahead schedule, the Commission intended that (1) the applicable reference price for the scheduled MW between Pmin and Pmax is the DRP established in the Amendment No. 50 proceeding, and (2) the appropriate reference price for the output between 0 MW and Pmin is the DRP established in the Amendment No. 61 proceeding, *i.e.*, the shut-down reference price (*a.k.a.* the DRP for the operating range between zero MW output and the unit's minimum operating level). This recognizes that in the Amendment No. 50 and Amendment No. 61 proceedings, the Commission approved the calculation of two separate DRPs – one for the operating range between Pmin and Pmax (Amendment No. 50) and one in for the operating range between zero MW and Pmin (Amendment No. 61), which is also known as the shutdown reference price. This approach also maintains the proper symmetry between the shut-down process and the restart process.

## II. Conclusion

The CAISO requests that the Commission grant the clarification requested above.

Respectfully submitted,

Anthony J. Ivancovich  
The California Independent  
System Operator Corporation  
151 Blue Ravine Road  
Folsom, California 95630  
Tel: (916) 351-4400  
Fax: (916) 608-7287

/s/ Kenneth G. Jaffe  
Kenneth G. Jaffe  
Bradley R. Miliauskas  
Alston & Bird LLP  
601 Pennsylvania Avenue, N.W.  
North Building, 10th Floor  
Tel: (202) 756-3300  
Fax: (202) 756-3333

August 25, 2005



## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 25<sup>th</sup> day of August, 2005.

/s/ Anthony Ivancovich  
Anthony Ivancovich