UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	)	Docket No. ER99-896-000

ANSWER OF CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO MOTIONS TO INTERVENE, REQUEST FOR HEARING, COMMENTS AND PROTESTS AND MOTION FOR DEFERRED EFFECTIVE DATES FOR PORTION OF RATE FILING

On December 11, 1998, the California Independent System Operator Corporation ("ISO") filed Amendment No. 13 to the ISO Tariff.[1] Amendment No. 13 proposed a variety of modifications to the ISO Tariff, including changes to encourage compliance with the scheduling and ancillary service market provisions of the ISO Tariff, a change to appropriately allocate cost responsibility associated with derates of transmission capacity, a change to promote the use of market mechanisms to resolve overgeneration conditions, and changes that address a number of miscellaneous issues that have arisen in the course of the ISO's administration of the ISO Tariff.

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 submits its Answer to the Motions to Intervene, Request for Hearing, Comments and Protests submitted in

[1]Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

the above captioned docket, and a Motion for Deferred Effective Dates for portions of Amendment No. 13.

As explained below, the ISO does not oppose the intervention of any of the parties that have sought leave to intervene in this proceeding. The opposition and requests for substantive modifications of some parties to portions of Amendment No. 13, however, are unsupported. The only intervenor to request a hearing, moreover, has failed to support that request, as the Commission's precedents require. The Commission should accordingly accept Amendment No. 13 without suspension or hearing.

The ISO notes that there has been a delay in the delivery of software necessary to implement two components of Amendment No. 13: the ISO's acceptance of negative bids for Supplemental Energy to assist in the economic management of Overgeneration and the proposed solution to the problem of excessive debits to Participating Transmission Owners in the event of certain transmission derates. In Section IV, below, the ISO accordingly requests a deferral of the effective dates of those portions of Amendment No. 13.

I. INTRODUCTION

A. Amendment No. 13

In Amendment No. 13, the ISO proposes a variety of changes to the ISO Tariff and Protocols, all of which were presented for the consideration of the stakeholders relying on the transmission system operated by the ISO and

participating in the ISO's Ancillary Services markets, and approved by the ISO's Board of Governors. Two of the modifications are designed to address provisions of the ISO Tariff that fail to give adequate incentives to Market Participants to comply with the provisions of the tariff and the obligations they undertake when they commit to supply Ancillary Services to the ISO. Another modification is proposed to eliminate a problem associated with the allocation of cost responsibility for transmission capacity that is derated after the close of the ISO's Day-Ahead Market. A fourth change would enable the ISO to accept negative bids in its Imbalance Energy market, thereby enhancing its ability to use market mechanisms to assist in resolving overgeneration conditions. Finally, changes are proposed to address a number of miscellaneous issues that have arisen in the course of the ISO's administration of the ISO Tariff.

B. Interventions

A notice of intervention was filed by the Public Utilities Commission of the State of California ("CPUC") and motions to intervene were filed by numerous parties.[2] Most intervenors indicated support for the majority of the changes proposed by Amendment No. 13. Many of the intervenors, however,

[2]Timely motions to intervene were filed by Bonneville Power Administration ("BPA"), California Department of Water Resources ("DWR"), California Electricity Oversight Board, California Power Exchange ("PX"), the Cities of Redding and Santa Clara, et al. ("Redding"), the City of Vernon, Electric Clearinghouse, Inc. ("ECI"), Energy Producers and Users Coalition, et al., Enron Power Marketing, Inc. ("EPMI"), Los Angeles Department of Water & Power ("LADWP"), Member Systems of the New York Power Pool, Metropolitan Water District ("MWD"), Modesto Irrigation District, Northern California Power Agency ("NCPA"), Pacific Gas & Electric Company ("PG&E"), PSEG Resources, Inc., California Sacramento Municipal Utility District ("SMUD"), San Diego Gas & Electric Company ("SDG&E"), Southern California Edison ("SCE"), Transmission Agency of Northern California ("TANC"), and Turlock Irrigation District ("Turlock").

accompanied their interventions with Comments on and/or Protests to portions of Amendment No. 13. In one case, an intervenor requested a hearing on all issues raised in its pleading.

The ISO does not oppose the intervention of any of the parties that have sought leave to intervene. The ISO does not believe, however, that any of the substantive modifications to portions of Amendment No. 13 proposed in any of the interventions has merit, or that a hearing has been shown to be required to address any of the intervenors' objections.

II. ANSWER TO COMMENTS AND PROTESTS[3]

A. Tariff Modifications To Improve Compliance

1. Nonpayment for Instructed Deviations

To meet its requirements for Ancillary Services, the ISO necessarily relies on capacity bid and self-provided by Scheduling Coordinators. When generation is committed to the ISO as reserve capacity, whether through the acceptance of a bid or the designation of the capacity as self-provided reserve, it must be

[3]Some of the intervenors commenting substantively on Amendment No. 13 do so in portions of their pleadings variously styled as "Comments," "Statement of Position," or "Comments and Protest," without differentiation. There is no prohibition on the ISO's responding to the comments in these pleadings. Other interventions contain requests for affirmative relief that are not styled as motions. The ISO is entitled to respond to these requests for relief notwithstanding the label applied to them. *Florida Power & Light Company*, 67 FERC ¶ 61,315 (1994). In the event that any portion of 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 given the nature and complexity of this proceeding and the usefulness of this answer in ensuring the development of a complete record. *See, e.g., Enron Corporation*, 78 FERC ¶ 61,179 at 61,733, 61,741 (1997); *El Paso Electric Company*, 68 FERC ¶ 61,181 at 61,899 & n.57 (1994).

unloaded, available, and capable of producing energy, when dispatched by the ISO, in accordance with the terms of the particular Ancillary Service provided. If the generator is already producing energy from capacity committed to the ISO as reserves, it is not available for dispatch by the ISO, which can cause considerable operating difficulties, raise costs, and even produce a violation of WSCC and NERC policies.

Experience since the ISO's initiation of operations indicates that Scheduling Coordinators have often produced energy, on their own initiative, from generating capacity committed to the ISO for Ancillary Services. This has led to instances in which reserves relied upon by the ISO have proven unavailable when called upon by the ISO to produce energy -- i.e., to fulfill the function for which they were committed. In reviewing this situation, the ISO determined that the ISO Tariff currently contains insufficient incentives to discourage such behavior by Scheduling Coordinators.

Currently, when a Scheduling Coordinator produces energy from capacity committed to the ISO for an Ancillary Service in the absence of a Dispatch Instruction from the ISO, the energy is treated under the ISO Tariff as an "uninstructed deviation," and the Scheduling Coordinator is paid for the energy as Uninstructed Imbalance Energy.[4] It also receives payment for the Ancillary Service capacity, if it was committed through the ISO auction, or credit for the

[4] *See* ISO Tariff Sections 23.2.2 (definition of Uninstructed Imbalance Energy) and 23.2 (temporary sections 2.5.23.1 and 2.5.23.2).

capacity against its Ancillary Service obligation, if it was self-provided. Generators thus have an incentive to use Ancillary Services capacity for uninstructed deviations, especially when the price for the energy is high. Although the ISO has the authority under Section 2.5.26 of the ISO Tariff to impose a penalty when a resource is unable to deliver an Ancillary Service in accordance with its bid, imposition of that penalty requires that a test be administered in real time. The possibility that such a test might be conducted and the penalty imposed has proven insufficient to deter uninstructed deviations from capacity committed to the ISO for Ancillary Services.

To address this situation, Amendment No. 13 would modify the ISO Tariff to eliminate both any payment for Ancillary Service capacity and the payment for Uninstructed Imbalance Energy when a generator is determined to have generated energy from capacity committed to the ISO for an Ancillary Service in the absence of a Dispatch Instruction from the ISO. Most intervenors support or do not comment on this proposed revision. The few objections that were raised present no basis for rejecting or amending this component of Amendment No. 13.

First, two intervenors complain that the elimination of payments for the uninstructed generation of energy from Ancillary Service capacity would preclude Market Participants from making sales of energy from such capacity, on an interruptible basis, to buyers in other Control Areas. (ECI at 3; LADWP at 4.) The ISO agrees that it would be desirable to give Market Participants the

capability of making such sales, as long as the ISO's ability to rely on the generation committed to it for Ancillary Service capacity is not threatened. To accommodate such transactions, the ISO must be in a position to verify the availability and capability of generating reserves that are also being used for interruptible export transactions. The ISO must be able to identify in real-time operations the associations between interruptible export transactions at the various tie points with neighboring Control Area with the Generating Units that are supporting those sales and committed to provide Ancillary Service capacity to the ISO. Unless the ISO can verify the generating capacity that is supplying it with needed reserves, it cannot satisfy Applicable Regulatory Criteria.

At the present time, the ISO's software does not have the capability to track the complex associations that are necessary to permit interruptible exports from Ancillary Service capacity.[5] Until the software is modified to introduce this capability, a generator loading reserve capacity to make an interruptible export sale reduces the reserves required for the ISO to maintain system reliability. The ISO and the stakeholders, as represented on the ISO's Board of Governors, determined that the substantial importance of enabling the ISO to rely on Ancillary Service capacity that has been committed to the ISO to enable it to meet Applicable Reliability Criteria requires the introduction of provisions to withhold

[5]This issue, as well as many others, is being addressed as part of the project to redesign the ISO's Ancillary Services markets in compliance with the Commission's order in *AES Redondo Beach,* 85 FERC ¶ 61,123 (1998).

payments when Ancillary Service Capacity is used to generate energy in the absence of an ISO instruction, while work continues to permit interruptible exports from that capacity.

Other intervenors argue that Amendment No. 13's provisions relating to Scheduling Coordinators who use self-provided Ancillary Service capacity for uninstructed deviations are discriminatory. (MWD at 12-13; TANC at 7-8.) These claims are unfounded. Self-provided Ancillary Service capacity and Ancillary Service capacity bid to the ISO are treated in exactly the same way. If a Scheduling Coordinator produces energy from the capacity successfully bid to the ISO without instruction by the ISO, the Scheduling Coordinator must forfeit to the ISO the payment the Scheduling Coordinator received for that Ancillary Service Capacity, as well as payments received for Uninstructed Imbalance Energy. Similarly, under the proposed revisions to Sections 2.5.20.2 and 2.5.26.2, if a Scheduling Coordinator produces energy, without instruction from the ISO, from capacity that it self-provides to meet its Ancillary Service obligation, the Scheduling Coordinator must forfeit to the ISO the payment it would have received had the capacity been successfully bid to the ISO, as well as payments received for Uninstructed Imbalance Energy. This parity of treatment ensures that Scheduling Coordinators will remain financially indifferent between self-providing Ancillary Service capacity and buying that capacity from the ISO. In contrast, the intervenors' proposal to excuse self-providing Scheduling Coordinators from a portion of the no-payment provisions of

Amendment No. 13 would both give an undue preference to self-provided capacity and perpetuate the problem of uninstructed generation from Ancillary Service capacity that Amendment No. 13 is designed to address.

Finally, two intervenors suggest a number of editorial revisions to Sections 2.5.26.2, 2.5.26.2.4, and 2.5.27.[6] The ISO has no objection to any of the proposed changes and will incorporate them in a compliance filing in this docket.

2. Billing Based on Metered Demand

Amendment No. 13 proposes to revise the ISO Tariff so that each Scheduling Coordinator's Ancillary Service obligation is determined according to the Scheduling Coordinator's metered Demand. The current practice of determining the Ancillary Services obligation according to scheduled Demand provides Scheduling Coordinators with an opportunity and incentive to avoid Ancillary Services capacity costs by underscheduling Demand. Under-scheduling of Demand causes a substantial shift of Ancillary Services capacity costs from those Scheduling Coordinators that under-schedule to those Scheduling Coordinators that schedule accurately. This portion of Amendment No. 13 responds to the Commission's encouragement to the ISO "to propose penalties or market mechanisms to promote good scheduling practices by

[6]MWD at 13-14; TANC at 9. They propose to replace "bid" with "scheduled" in Section 2.5.26.2, to delete the word "that" in Section 2.5.26.4 and to add "System Units and System Resources" in Section 2.5.27.

Scheduling Coordinators that are necessary to ensure reliability and avoid cost shifting."[7]

None of the comments or protests oppose this revision. MWD and TANC, however, find the formula for determining a SC's Operating Reserves obligation to be overly complicated. They request an explanation of the formula.

The complication arises from the fact that WSCC criteria for determining a Control Area operator's Operating Reserve (Spinning Reserve and Non-Spinning Reserve) obligations, unlike the criteria for other Ancillary Services, differentiate between hydroelectric resources and non-hydroelectric resources. Thus, Section 2.5.3.2 of the ISO Tariff requires the ISO to maintain Operating Reserves equivalent to 5 percent of Demand to be met from hydroelectric resources and 7 percent of the Demand to be met from other resources (less, in both cases, Demand covered by firm purchases from outside the ISO Control Area). Existing Section 2.5.20.1 and relevant Protocols allocate this requirement among Scheduling Coordinators, based on their scheduled Demands and on the portions of the scheduled Demands that they propose to serve from hydroelectric resources and other resources.

Amendment No. 13 modifies Section 2.5.20.1 of the ISO Tariff and related Protocols to base each Scheduling Coordinator's obligation for Operating Reserves on metered Demand, rather than scheduled Demand. The revised

[7] *Pacific Gas & Electric Co., et al.*, 81 FERC ¶ 61,122 at 61,494 (1998).

formula continues to take into account the mix of resources through which each Scheduling Coordinator proposes to meet its Demand, as reflected in its Schedule. Failure to take this factor into account would lead to cost-shifting from Scheduling Coordinators that rely primarily on non-hydroelectric resources to those whose resource mixes include large amounts of hydroelectric resources.[8] The ISO accordingly believes that the formula for implementing billing based on metered Demand is no more complex than is necessary to implement this feature in a fair manner.[9]

B. Transmission Owner Debits for Derated Transmission Capacity

One of the modifications proposed in Amendment No. 13 addresses the allocation of costs and revenues among transmission customers and transmission owners when the capacity of a portion the ISO Controlled Grid is derated after the Day-Ahead Market closes. Currently, when Scheduling Coordinators incur Usage Charges in the Day-Ahead Market because they schedule transactions across a congested transmission interface, the Usage

[8]The ISO recognizes that, while consideration of this factor avoids cost shifting based on the content of Scheduling Coordinators' portfolios of resources, it could create an incentive for Scheduling Coordinators to schedule more hydroelectric resources than are actually available. If existing mechanisms to ensure that unavailable resources are not scheduled prove inadequate to address this problem, the ISO may find it necessary to propose further modifications.

[9]TANC also identifies an inconsistency between Section 2.5.20.1 of the Tariff and Section 5.5.1 of the Ancillary Service Requirements Protocol regarding the treatment of interruptible imports and on-demand obligations. (TANC at 10.) Although this inconsistency was not introduced by Amendment No. 13, the ISO agrees that it should be remedied, and will propose an amendment in its next quarterly tariff filing.

Charge revenues are credited to the Participating Transmission Owner or Owners whose facilities comprise the interface. If the capacity of the interface is derated after the Day-Ahead Market closes, the Scheduling Coordinators would not receive the benefit of all of the transmission capacity for which they paid Day-Ahead Usage Charges. Accordingly, Section 7.3.1.7 of the ISO Tariff obligates the Participating Transmission Owner receiving the Day-Ahead Usage Charge revenues to compensate those Scheduling Coordinators for the derated capacity at the Usage Charge rate established in the Hour-Ahead Market, when the deration is recognized. While simple, this solution has proven untenable, because Usage Charges in the Hour-Ahead Market have exceeded Day-Ahead Usage Charges by substantial amounts, causing the Participating Transmission Owners to incur compensation obligations that far exceed the Day-Ahead Usage Charge revenues that they received with respect to the derated capacity.

To address this situation, Amendment No. 13 would modify Section 7.3.1.7 and a related provision of the Settlements and Billing Protocol so that, if a transmission interface is derated after the close of the Day-Ahead Market, Participating Transmission Owners will only be debited for the Day-Ahead Usage Charge revenues they received with respect to the derated capacity. Scheduling Coordinators whose Schedules are reduced due to the derating will be compensated on the basis of the Hour-Ahead Usage Charge. To accomplish this result, the ISO effectively "buys back" the amount of the derated transmission capacity from the market at the Hour-Ahead Usage Charge rate,

and is reimbursed (i) by the Participating Transmission Owners for the Day-Ahead Usage Charge revenues they received with respect to the derated capacity, and (ii) by Scheduling Coordinators for their use of the interface above its derated limit at the Hour-Ahead Usage Charge. The ISO recovers the remaining costs, if any, from Scheduling Coordinators in proportion to their Schedules across the derated interface. This procedure applies only if at least two hours' advance notice of the deration is provided to Scheduling Coordinators to give them time to adjust their Schedules and thereby to avoid liability for Hour-Ahead Usage Charges.

This approach to reducing the excessive debits to Participating Transmission Owners for transmission capacity derations was the product of extensive deliberations among the ISO Staff and the stakeholders. The remedy adopted is the product of compromise among the stakeholders, and may not be ideal from the standpoint of any of them.[10] The claims of the few intervenors who take issue with the approach to the Transmission Owner debit problem reflected in Amendment No. 13 are groundless.

[10]The ability of the ISO and the stakeholders to develop a solution to this problem belies the claim of NCPA that it reflects an intractable result of the market design reflected in the ISO Tariff. NCPA at 3-4. The considerations that were taken into account in the stakeholder process are described in the memorandum attached as Appendix A, which was made available to the ISO Board of Governors and other stakeholders in advance of the ISO Board's November meeting. That memorandum describes the background of the issue, the other alternatives considered, and explains how the provisions of Amendment No. 13 implement the agreed upon solution to this problem.

Several intervenors claim that alternative or simpler approaches to the problem could have been employed. Redding suggests an approach involving rescheduling in the Hour-Ahead Market that was not considered in the stakeholder process, but bears some of the attributes of options that were considered and rejected. (Redding at 8-9.) This blithe suggestion in fact contemplates a fundamental reconstruction of the ISO's markets, because the ISO's processes currently do not envision rescheduling in the Hour-Ahead Market. Redding has presented no basis for rejecting the approach agreed upon by the stakeholders in favor of its alternative. Two other intervenors argue that the stakeholders' agreed solution could have been implemented through simpler tariff language. (EPMI at 3-4; DWR at 4-5.) The language proposed in Amendment No. 13, however, was presented to the stakeholders in substantially the form filed (see Appendix A) and DWR acknowledges that the language proposed "seems to accomplish [Market Participants'] goals." (DWR at 4.) In these circumstances, there is no need to consider further other approaches to this issue.[11]

Finally, DWR is mistaken in claiming that further modifications to Section 7.3.1.7 are required to address the circumstances of some potential Participating

[11]There is no basis for DWR's claims (at 5-6) that the description of the Transmission Owner Debit solution in the December 11 transmittal letter is ambiguous. Nothing in the transmittal letter states or implies that Day-Ahead Usage Charges will be recalculated after the deration or that Transmission Owners will be required to repay Day-Ahead Usage Charge revenues that are not related to the derated capacity. The transmittal letter is clear on both points. *See* Transmittal Letter at 6 (Dec. 11, 1998).

Transmission Owners. (DWR at 3-4.) As the ISO has recently explained,[12] all Participating Transmission Owners, whether they convert transmission rights based on the ownership of transmission facilities or on rights under pre-existing transmission contracts, will have the opportunity to recover a portion of their transmission revenue requirements through Access Charges and Wheeling Access Charges. The revision to Section 7.3.1.7 appropriately provides that Participating Transmission Owners who are required to repay Day-Ahead Usage Charges to the ISO can reflect those debits in their transmission revenue requirements. No modification is necessary.

C. Negative Pricing for Supplemental Energy

Amendment No. 13 proposed to permit the submission of negative bids for Supplemental Energy in order to reduce the ISO's dependence on bilateral agreements with neighboring Control Areas as a means of alleviating Overgeneration conditions. Under current procedures, the ISO attempts to alleviate Overgeneration with decremental Supplementary Energy bids, which currently may be no lower than zero.[13] If there are insufficient decremental bids to mitigate the Overgeneration, the ISO then sets the price that results from its balancing energy and ex post pricing ("BEEP") software to zero. If these

[12]Answer of the California Independent System Operator Corporation, Docket No. ER98-3594, at 18-19 (Jan. 12, 1999).

[13]In a decremental Supplemental Energy bid, a Scheduling Coordinator bids a price at which it will pay the ISO for the right to reduce its scheduled energy, effectively substituting the excess energy available due to Overgeneration for the energy it scheduled.

measures do not resolve the problem, the ISO may make bilateral agreements with neighboring Control Areas to sell excess energy, including, when necessary, paying the other Control Area to take the excess energy.

Market Participants critical of the ISO's practice of entering into bilateral contracts have generally raised two issues: (1) the bilateral contracts do not provide any associated market signal; and (2) in-state participants did not have an opportunity to take advantage of this favorable pricing. Amendment No. 13 is designed to address those concerns by increased reliance on open market mechanisms to resolve Overgeneration. It would allow Scheduling Coordinators to submit negative decremental Supplemental Energy bids. If the resulting market clearing price for Imbalance Energy is below zero, the ISO would pay Scheduling Coordinators for reducing energy deliveries below the scheduled levels. In essence, the ISO would pay Scheduling Coordinators to take the excess energy at the market clearing price. All Scheduling Coordinators will therefore be provided the opportunity to take advantage of the favorable pricing that today is available only through inter-control area contracts.

TANC's assertion that this proposal discriminates against Market Participants by excluding them from the bilateral contract market (TANC at 11-12) is thus misplaced. Negative Supplemental Energy pricing gives all Scheduling Coordinators the opportunity to be paid for taking excess energy during Overgeneration conditions *before* the ISO turns to bilateral contracts with other Control Areas. A principal purpose of this proposal is to minimize the ISO's

reliance on bilateral contracts to resolve Overgeneration. It would be counterproductive to allow Market Participants in the ISO Control Area a second opportunity to buy or be paid to take excess energy through bilateral contacts. If a second such opportunity were mandated, Market Participants might well withhold decremental Supplemental Energy bids in the hope of striking a better deal in a bilateral contract. This would both raise the costs of resolving Overgeneration and increase the ISO's reliance on out-of-market, bilateral arrangements – defeating much of the purpose of the amendment.

Other comments also appear to arise from confusion between negative Supplemental Energy bids and bilateral contracts. Thus, Redding's suggestions that Section 2.3.4.3 needs to be revised in order to clarify that Market Participants in the ISO Control Area can participate in negative pricing (Redding at 9) arises from a misreading of the Tariff. Negative Supplemental Energy bids are submitted with all other Supplemental Energy bids under section 2.5.22.4.1. Section 2.3.4.3 only addresses bilateral contracts and only comes into play when Overgeneration cannot be addressed through Supplemental Energy bids.

Similarly, MWD conflates Supplemental Energy bids with bilateral contracts when it requests that Section 2.3.4.2 be revised to provide Market Participants adequate notice of the need for negative Supplemental Energy bids. MWD at 16. All decremental Supplemental Energy bids, whether positive or negative, must be submitted no later than forty-five minutes prior to the start of the operating hour. The ISO will turn to negative Supplemental Energy bids

when other decremental Supplemental Energy bids are inadequate to resolve overgeneration. There is no separate solicitation of such bids.

For the same reasons, MWD's and TANC's concerns about the posting of the estimated Ex Post Price (MWD at 16, TANC at 10-11) are inapt. The ISO's use of the estimated Ex Post Price for bilateral agreements will only be relevant after all Imbalance Energy bids are submitted and only if the competitive market has failed to resolve Overgeneration. Posting the price would serve no purpose.

Redding also asserts that Sections 2.3.4.4 and 2.3.4.5 must be revised to exempt Existing Contracts that do not permit mandatory reductions to address overgeneration from pro rata and specific reductions in the event that Supplemental Energy bids and bilateral contracts are insufficient to remedy overgeneration. (Redding at 10.) Redding's complaint, however, does not relate to Amendment No. 13, which did not modify these provisions. Redding has repeated an objection it raised to the current ISO Tariff provisions, which is currently included in the process established by the Commission's Order in Docket No. ER98-3760-000.[14] Its objection is not relevant to this filing, which should not afford Redding or any other party a second forum to air such grievances.

Finally, DWR wishes to confirm that negative pricing of Supplemental Energy includes a Scheduling Coordinator's ability to bid in Load. (DWR at 6.)

[14] *California Independent System Operator Corp.*, 84 FERC ¶ 61,217 (1998).

The ISO notes that Section 2.5.22.4 refers to the ISO's dispatching Loads that have submitted Supplemental Energy bids, and Section 2.5.22.6 instructs the ISO do dispatch the least cost Generating Unit, Load or System Resource to meet Imbalance Energy requirements. Nothing in Section 2.5.22.4.1 precludes Scheduling Coordinators from submitting negative Supplemental Energy bids for Loads, and the ISO does not intend any such restriction.

D. Settlement of Replacement Reserves

Under the ISO Tariff, the ISO is responsible for ensuring that there are sufficient Ancillary Services available to maintain the reliability of the ISO Controlled Grid. The ISO can procure these Ancillary Services, including Replacement Reserves, on either a zonal or system-wide basis. The ISO takes various operational conditions, including whether or not Congestion is anticipated, into account in determining whether to procure Ancillary Services on a zonal or system-wide basis.[15]

In order to prevent inappropriate cost shifting, the ISO has designed its software to settle Ancillary Services on the same basis they are procured. This approach is consistent with ISO Tariff provisions governing the settlement of other Ancillary Services (e.g., Regulation, Spinning Reserves, and Non-Spinning

[15]The presence or absence of Congestion is not the only factor considered in this determination. If the Ancillary Service resources made available to the ISO through bids and Scheduling Coordinators' self-provision are adequately dispersed to protect system reliability, the ISO can procure its Ancillary Service resources on a control area-wide basis, even if Congestion is present.

Reserves).[16] Certain ISO Tariff and Protocol provisions concerning Replacement Reserves, however, provide for the zonal settlement of Replacement Reserve charges only if there is Congestion in the Day-Ahead Market and mandate the allocation of Replacement Reserve costs on a system-wide basis if no actual Congestion is experienced, even where such reserves were procured zonally in anticipation of Congestion that did not materialize.[17] The ISO Tariff's treatment of Replacement Reserve settlement is therefore inconsistent both with the ISO's settlement practices for other Ancillary Services and with the ISO's settlement software.

Amendment No. 13 addresses this inconsistency and the resulting potential for inappropriate cost shifting with proposed revisions to Section 2.5.28.4 and related Protocol provisions.[18] The proposed revisions to address the inconsistency in the settlement and procurement of Replacement Reserves

[16] *See* ISO Tariff Sections 2.5.28.1; 2.5.28.2; 2.5.28.3 (user rate for each unit of Regulation, Spinning Reserve and Non-Spinning Reserve for each Zone is determined on the basis of the requirements of the Ancillary Service for that Zone).

[17] ISO Tariff Section 2.5.28.4 states, in part: "If there is no Congestion in the Day-Ahead Market, the ISO will allocate the Replacement Reserve capacity Charges on a ISO Control-Area wide basis . . ."

[18] The ISO noted in its transmittal letter that the proposed revisions relating to the settlement of Replacement Reserves will be superseded by the more extensive revisions to these provisions necessary to implement the ISO's proposal on billing according to metered Demand, discussed above. The latter revisions are proposed to take effect when the software changes necessary to implement them have been installed and tested, but no earlier than February 10, 1999.

were developed with stakeholder input. Only two intervenors object to these revisions.[19]

One intervenor opposes the ISO's established approach for settling all Ancillary Services on the same basis they are procured and argues that other sections of the ISO Tariff should be altered to provide that Ancillary Services will only be settled zonally when there is actual Congestion. (SDG&E at 5-9.) It would be inappropriate, however, to procure Ancillary Services and to allocate cost responsibility for them on different bases. Divorcing cost allocation from the basis of procurement would run contrary to the well-accepted principle that ratemaking should be guided by cost causation.[20] No compelling justification has been advanced for departing from this principle, which underlies the ISO Tariff's basic approach to procurement of Ancillary Services and settlement of the associated costs.

Another intervenor contends that the proposed revisions run contrary to a recommendation of the ISO Market Surveillance Committee ("MSC") that Ancillary Services be procured through a state-wide auction, wherever possible.

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[19] Another intervenor argues that the ISO Tariff provisions relating to payment for Replacement Reserves should be revised such that Scheduling Coordinators would be paid a higher price for Replacement Reserves. (ECI at 4.) The specifics of this argument, which seems to be based on a misreading of Sections 2.5.13 and 2.5.17 of the ISO Tariff, are unclear and would require further explanation before the ISO could fully address them. For the present, it suffices to note that Amendment No. 13 proposes no change in the provisions that give rise to this concern. It is accordingly beyond the scope of this proceeding and is appropriately addressed through stakeholder processes.

[20] *See, e.g., Cities of Riverside v. FERC,* 765 F.2d 1434, 1439 (9th Cir. 1985); *Alabama Elec. Coop. v. FERC,* 684 F.2d 20, 27 (D.C. Cir. 1982); *Indiana & Michigan Mun. Dist. Ass'n v. Indiana Michigan Power Co.,* Opinion No. 373, 59 FERC ¶ 61,260 at 61,956 (1992).

(SCE at 2-3.) This criticism is off-point. Amendment No. 13 does not propose to modify the manner in which the ISO procures Replacement Reserves. The ISO agrees that, where possible, Ancillary Services, including Replacement Reserves, should be procured on the widest basis possible to permit broad participation in the market. The ISO must, however, procure Ancillary Service capacity so that the capacity is available where it is needed to support the reliable operation of the ISO Control Area in accordance with Applicable Reliability Criteria. Amendment No. 13 simply specifies that, when anticipated system conditions require the ISO to procure Replacement Reserves on a Zonal basis, cost responsibility tracks the basis of procurement. The MSC recommendation has no bearing on this issue.

Several intervenors support the proposed revisions to settle Replacement Reserves on the same basis they are procured, but contend that the revisions should be applied retroactively as well as prospectively. (PG&E at 3-7; SMUD at 4-6.) These intervenors correctly note that ISO software has automatically been settling Replacement Reserves like all other Ancillary Services, on the same basis they are procured. To conform its billings to the language of the ISO Tariff as it read before Amendment No. 13 takes effect, the ISO intends to revise its Replacement Reserve settlements for the preceding period to settle on a Control Area-wide basis for certain costs that had been allocated on a zonal basis (i.e., costs during periods when Replacement Reserve was procured zonally, but Congestion did not materialize).

The ISO's proposal in Amendment No. 13 to request that Replacement Reserve settlement changes be made effective only prospectively was developed with the input of the stakeholders and with the approval of the ISO Board. The ISO's decision not to request that these changes be made effective retroactively (and the Board's endorsement of this decision) was due in large part to the Commission's July 31, 1998 order on Amendment No. 10, which rejected a request for a retroactive effective date to implement changes that were contrary to existing tariff language.[21] On the basis of this order, the ISO believed that giving retroactive effect to this portion of Amendment No. 13 was not a viable option.

E. Other Tariff Changes

1. Procurement of Operating Reserves

Section 2.5.3.2 of the ISO Tariff requires the ISO to maintain minimum contingency Operating Reserves made up of Spinning Reserve and Non-Spinning Reserve in accordance with WSCC Minimum Operating Reliability Criteria. This section also provides that the ISO shall maintain additional Operating Reserves equal to the total amount of Interruptible Imports scheduled by Scheduling Coordinators for any hour. The ISO Tariff currently requires that such additional Operating Reserves, which may consist entirely of Non-Spinning Reserve, be self-provided by Scheduling Coordinators. The self-provision

[21] *California Independent System Operator*, 84 FERC ¶ 61,121 at 61,664 (1998).

requirement was necessary due to operational limitations as of the ISO Operations Date. These limitations have now been eliminated. Scheduling Coordinators are now able to purchase such additional Operating Reserve from the ISO.

Amendment No. 13 would therefore modify Sections 2.5.3.2 and 2.5.20.2 of the ISO Tariff and related Protocol provisions to remove the requirement that Scheduling Coordinators self-provide the Operating Reserve associated with Interruptible Imports. Section 2.5.3.2 has been further revised to clarify that, to the extent such additional Operating Reserve is not self-provided by a Scheduling Coordinator, the ISO will procure the necessary amounts of Operating Reserve. The Operating Reserve so procured by the ISO will not necessarily consist entirely of Non-Spinning Reserves.

One intervenor requests clarification as to why the ISO would procure potentially more costly Spinning Reserves to satisfy Operating Reserve requirements which are not self-provided by a Scheduling Coordinator. (DWR at 6-7.) The proposed revisions permit the ISO to procure the necessary portion of Operating Reserve in the auction from either Spinning or Non-Spinning Reserve. Giving the ISO the flexibility to procure either Ancillary Service to meet this requirement -- the same flexibility available to Scheduling Coordinators that self-provide these requirements -- will enable the ISO to procure the combination of

Operating Reserve services that meets its needs in the most cost-effective manner.[22]

Another intervenor contends that the proposed change to Section 5.2(a) of the Ancillary Service Requirements Protocol ("ASRP") would require a Scheduling Coordinator to support its Interruptible Imports solely through the use of Non-Spinning Reserve. (EPMI at 5.) This is not the case. Section 2.5.3.2 of the ISO Tariff and ASRP 5.2 have been revised to provide Scheduling Coordinators with the flexibility to either self-provide or purchase the Operating Reserve requirements associated with their Interruptible Imports. If a Scheduling Coordinator chooses to self-provide, it can satisfy the requirements with 100% Non-Spinning Reserves, 100% Spinning Reserves, or a combination of Non-Spinning and Spinning Reserves. If a Scheduling Coordinator chooses to purchase its Operating Reserve requirements from the ISO, the ISO will make the determination as to the combination of Spinning and Non-Spinning Reserves to purchase to cover that requirement. This flexibility is embodied in ASRP 5.2.[23]

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[22]The transmittal letter states that "The current language requires if the additional Operating Reserve is self-provided by an SC, it must consist entirely of Non-Spinning Reserve." December 11, 1998 Transmittal Letter at 9. This sentence contains several inadvertent typographical errors. This language should read "The current language requires that the additional Operating Reserve must be self-provided by an SC; it may consist entirely of Non-Spinning Reserve."

[23]While it is true that ASRP 5.2(a) refers only to a necessary amount of Non-Spinning Reserve, ASRP 5.2 also provides that "Scheduling Coordinators may self provide their allocated quantity of Non-Spinning Reserve under ASRP 5.2(a) and (b) from Spinning Reserve not already committed to the ISO, if they wish."

Finally, an intervenor complains that Section 2.5.3.2, as revised, does not address the situation where a Scheduling Coordinator arranges for Operating Reserve from Generating Units within the ISO Control Area to support the Interruptible Imports. (Redding at 11.) The intervenor is concerned that the ISO will also procure Operating Reserve in such a circumstance, resulting in an over-purchase of Operating Reserve. This concern is misplaced. When a Scheduling Coordinator has Interruptible Imports and also arranges for Reserves from within the ISO Control Area, it can schedule these Operating Reserves as self-provided and thereby meet its obligations pursuant to Section 2.5.20.2. The ISO takes the self-provided Operating Reserves into account in determining the balance of Operating Reserves it must procure.

2. Instructed and Uninstructed Imbalance Energy

Under the current ISO Tariff, payments to Scheduling Coordinators for instructed energy from Spinning, Non-Spinning or Replacement Reserve, as set forth in Section 23 of the ISO Tariff (temporary section 11.2.4.1.1), are the product of the quantity of the instructed energy (EnQInst) and the BEEP Interval Ex Post Price. Amendment No. 6 established the BEEP Interval Ex Post Price as the basis for Instructed Imbalance Energy and the Hourly Ex Post Price as the basis for Uninstructed Imbalance Energy. Amendment No 6 did not, however, revise the pricing provisions for Spinning Reserves, Non-Spinning Reserves, and Replacement Reserves in a corresponding manner. These tariff provisions therefore incorrectly indicate that payments to Scheduling Coordinators for

instructed energy are the product of the instructed energy (EnQInst) and the Hourly Ex Post Price.

Amendment No. 13 would correct this inconsistency by revising Sections 2.5.27.1 through 2.5.27.4 and 23.5 of the ISO Tariff as well as Appendices C and D of the Settlement and Billing Protocol. The proposed amendment also replaces the term "instructed Energy" in these sections with the defined term "Instructed Imbalance Energy" and adds certain temporary definitions from Section 23.2.2 to the permanent Master Definitions Supplement. No one opposes the substance of this change, though several intervenors raise peripheral issues.

A number of intervenors note that the definition of "Instructed Imbalance Energy" proposed as part of this portion of Amendment No. 13 refers only to "Generating Units." (MWD at 17; Redding at 12; TANC at 12.) These intervenors request that references to "System Units" and "System Resources" be added to the definition of "Instructed Imbalance Energy." Dispatch instructions can be issued by the ISO for Instructed Imbalance Energy from System Units and System Resources. The ISO therefore agrees that the proposed changes to the definition of "Instructed Imbalance Energy" are appropriate and agrees to make such changes in a compliance filing in this docket.

Some intervenors question why the definitions originally proposed in Amendment No. 6 were also included in Amendment No. 13. (MWD at 17;

TANC at 12.) These terms are now being used in "permanent" sections of the ISO Tariff (i.e., those portions of the ISO Tariff that, unlike Section 23, are not specifically designated as being effective only for a limited period). It was therefore appropriate to add the terms set forth in "temporary" Section 23.2.2 to the "permanent" Master Definitions Supplement in Appendix A. Intervenors also have offered a number of comments on or objections to certain of these definitions.[24] Since the Commission has already accepted the exact wording of the definitions in question ("BEEP Interval" and "BEEP Interval Ex Post Prices") in the dockets related to Amendment No. 6 and no change in that wording is proposed here, the ISO does not believe that any revision of these definitions is justified or appropriate.[25]

3. PX Definitions

The Master Definitions Supplement of the ISO Tariff currently contains numerous references to the California PX. Many of the PX-related terms defined in the ISO Tariff are not currently used anywhere else in the text of the ISO Tariff. These definitions are remnants of the close link between the ISO Tariff and the PX Tariff during the formative stages of both those entities. Because the ISO is no longer integrally linked to the PX, such definitions are not needed in the ISO Tariff. There are at least 30 extraneous PX-related definitions in the ISO

[24]ECI at 5; MWD at 17-18; TANC at 13. MWD and TANC also request correction of a capitalization error which does not appear to be in the Tariff sheets filed with the Commission. *See* December 11, 1998 Transmittal Letter, Attachment A , Original Sheet No. 294-A.

[25]*California Independent System Operator Corporation*, 82 FERC ¶ 61,327 (1998).

Tariff, and there are other definitions that are made less clear by unnecessary references to the PX. The ISO therefore proposes in Amendment No. 13 to eliminate the PX-related definitions which are not used elsewhere in the ISO Tariff and all superfluous references to the PX in other definitions.

One intervenor requests that a number of additional PX-related terms be eliminated from the Tariff. (EPMI at 5.) The ISO does not believe elimination of the identified terms is appropriate at this time, since all of these terms are currently used in the ISO Tariff. The same intervenor also claims that the PX is given undue preferential treatment under the Tariff provisions governing Generation Meter Multipliers and requests that these provisions be revised. (*Id.* at 6.) This comment is beyond the scope of this proceeding. Nothing in Amendment No. 13 modifies the treatment of the PX under the referenced provisions.

Another intervenor suggests that the revised definition of "Master File", which no longer contains references to the PX, would somehow authorize the ISO for the first time to maintain such a file. (ECI at 5.) In fact, the ISO has always maintained such a Master File containing information on resources capable of providing energy or Ancillary Services to the ISO-Controlled Grid. Maintenance of such a file is integral to the ISO's role in ensuring the reliable operation of the ISO-Controlled Grid. The fact that the definition of "Master File" in the ISO Tariff did not formerly cover this file hardly means that the ISO was not authorized to maintain electronic files containing this information.

4. Y2K Compliance

The ISO has undertaken efforts to ensure that its systems will be able to accommodate dates after December 31, 1999 (i.e., that they will be Year 2000 ("Y2K") compliant). The ISO also recognizes that the systems and processes of Market Participants that communicate with the ISO must also be Y2K compliant to prevent errors that might adversely affect the reliability of the ISO-Controlled Grid. Amendment No. 13 therefore includes a proposed new Section 30 of the ISO Tariff which establishes that it is the Market Participants' responsibility to ensure that their systems interfacing with the ISO are Y2K Compliant (as defined in the ISO's Year 2000 Compliance Standards). Proposed Section 30.2 states that the ISO will provide a voluntary testing program for such Market Participants to verify Y2K interoperability between the ISO systems and the external systems and processes that interface with the ISO. The proposed amendment also affirms and establishes the ISO's right to disconnect Market Participants with non-Y2K compliant system interfaces in order to protect and maintain the ISO's system integrity.

No intervenor opposes this proposal, but one intervenor does note that there are no dates established for the Y2K testing program in the proposed tariff language. This intervenor expresses concern that, as a result, Market Participants might fail to participate in the testing program and run the risk of being disconnected from the ISO's systems. (ECI at 6.) The ISO reiterates that the testing program is purely voluntary and is provided as a service to Market

Participants. The ISO's authority to disconnect Market Participants with non-Y2K compliant system interfaces under proposed Section 30.3 is unrelated to the participation of any party in the voluntary testing program. Relevant dates and procedures for the testing program will be posted on the ISO Home Page (www.caiso.com).

5. References to Proxy Prices

The ISO Tariff currently contains numerous references to "proxy prices." The term "proxy prices" was related to a planned two-part bid evaluation approach for Ancillary Services which was abandoned prior to the ISO Operations Date, as described more fully in the Transmittal Letter. The remaining references to "proxy prices" in the ISO Tariff are therefore superfluous. Amendment No. 13 includes revisions to various Tariff provisions to eliminate this term. In addition, the term "System Units" was also added to a number of the affected provisions consistent with the Commission's preference that explicit references to "System Units" be included in the Tariff where appropriate.[26]

The elimination of references to "proxy prices" was not opposed by any intervenor in this proceeding. Nor did any intervenor oppose the addition of references to "System Units," as proposed in Amendment No. 13. One intervenor requests that a number of other references to "System Units be added throughout Section 2.5 of the ISO Tariff. (Turlock at 4.) The ISO agrees that the

[26] *California Independent System Operator Corp.*, 84 FERC ¶ 61,121 (1998).

requested changes are appropriate and will make the requested revisions in a compliance filing to be submitted in this docket.[27]

A number of intervenors submitted comments concerning Section 2.5.22.6, as revised by this portion of Amendment No. 13. One intervenor notes that the language in Section 2.5.22.6, which provides for ISO selection of System Units to meet Imbalance Energy requirements in real time, is not specifically restricted to those System Units that have submitted bids to provide Imbalance Energy. (Turlock at 4-5.) The ISO believes that it is clear that revised Section 2.5.22.6 (and several other revised sections mentioned by the intervenor) relate only to ISO dispatch of System Units that have submitted bids to provide Imbalance Energy or the applicable service.

Similarly, a number of intervenors contend that the term "Generating Units" in Section 2.5.22.6 should be replaced with the term "Participating Generator" to make clear that the ISO does not have real time dispatch authority over Generating Units that have not made themselves available to the ISO. (MWD at 18; TANC at 13.) The ISO notes that the term "Generating Unit" is included in the version of Section 2.5.22.6 as currently approved by the Commission and is unaffected by Amendment No. 13. These comments are therefore beyond the scope of the instant proceeding. Furthermore, the ISO

[27]The ISO notes that the definition of "System Units" is currently undergoing review as part of a stakeholder process addressing Metered Subsystems. Neither the changes proposed in Amendment No. 13 nor these additional changes are intended to prejudice this process.

does not believe there is any ambiguity in its use of the term "Generating Unit" in this context or the ISO's real time Dispatch authority as set forth in Section 2.5.22.6.

One intervenor submits comments on the frequency of monitoring to be conducted under Sections 2.5.24 and 2.5.25.1 of the ISO Tariff. (Turlock at 5.) Amendment No. 13, however, makes no change at all to Section 2.5.24 and only adds the term "System Unit" to Section 2.5.25.1, leaving the substance of the provision unchanged. This comment is therefore beyond the scope of the instant proceeding. Any new issues regarding the monitoring of resources providing Ancillary Services can be raised in the stakeholders' consideration of the redesign of the ISO's Ancillary Service markets.

Lastly, one intervenor raises questions about the ISO's stakeholder process as described in its December 11, 1998 Transmittal Letter, stating that a representative present at the November 4, 1998 Market Issues Forum did not recall any discussion of certain aspects of the proposed tariff changes associated with the elimination of "proxy prices." Turlock at 12-13. The ISO wishes to reiterate its commitment to the stakeholder process that preceded the submission of Amendment No. 13, as described in the transmittal letter accompanying the filing.[28] The steps taken by the ISO in that process included the presentation of information on proposed tariff amendments, including those

[28]December 11, 1998 Transmittal Letter at 12-13.

associated elimination of proxy prices, for discussion at the November 4, 1998 Market Issues Forum. If an issue was not discussed, it was only because no stakeholder raised a question or concern. Additional opportunities for stakeholder review and comment on Amendment No. 13 were also provided, as described in the Transmittal Letter. No intervenor has grounds to claim surprise by the inclusion of any subject in the amendment.

III. ANSWER TO REQUEST FOR HEARING

Redding asks the Commission to set for hearing all matters raised in its Protest to the extent the Commission does not direct the summary modification of Amendment No. 13 in every respect it advocates. (Redding at 13.) Although Redding's pleading details aspects of Amendment No. 13 with which it disagrees, it does not describe or substantiate genuine disputes as to issues of basic material facts that underlie its disagreements. Under longstanding precedent, a party seeking an evidentiary hearing must make an adequate proffer of evidence to support such a request.[29] It must also show that the issues it raises involve genuine disputes of material fact, meaning disputes as to basic evidentiary facts, as opposed to policy matters or questions of the

[29] *See, e.g., Kentucky Utilities Company*, 81 FERC ¶ 61,299 at 62,409 (1997) (citing *Woolen Mill Associates v. FERC*, 917 F.2d 589, 592 (D.C. Cir. 1990); *Columbia Gas Transmission Corp.*, 79 FERC ¶ 61,160 at 61,759 and n.65 (1997); *Wisconsin Electric Power Co.*, 62 FERC ¶ 61,142 at 62,009 and n.44 (1993); *South Carolina Electric & Gas Co.*, 56 FERC ¶ 61,379 at 62,440 and n.14 (1991)).

inferences to be drawn from basic facts.[30] Redding has failed to meet this burden and its request for a hearing should accordingly be denied.

IV. MOTION FOR DEFERRAL OF EFFECTIVE DATES FOR PORTIONS OF AMENDMENT NO. 13

In Amendment No. 13, the ISO requested an effective date of February 9, 1999 for most tariff changes proposed, including the introduction of the ISO's acceptance of negative bids for Supplemental Energy and the proposed solution to the problem of excessive Transmission Owner Debits. Later effective dates were proposed for the revisions necessary to implement billing for Ancillary Services based on metered Demand and nonpayment for uninstructed deviations, on the ground that the software changes necessary to implement those revisions were not expected to be ready by February 9, 1999.[31] No intervenor has objected to the effective dates proposed by the ISO.

The ISO has since learned that the delivery of the software changes necessary to implement the Transmission Owner Debit solution and negative bids for Supplemental Energy has been delayed. The ISO now expects that the

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[30] *See Virginia Electric and Power Co.*, 84 FERC ¶ 61,254 (1998) (an evidentiary hearing is required only to resolve genuine issues of material fact). Such an issue is created not by a claim that "contrary conclusions . . . might be drawn from accepted basic facts . . . [but by] contradictions in the basic facts themselves." *Pennsylvania Gas & Water Co. v. FPC*, 463 F.2d 1242, 1252 (D.C. Cir. 1972).

[31] Dec. 11, 1998 Transmittal Letter at 13. The ISO notes that, in identifying the attachments to the transmittal letter on page 14, incorrect effective dates were given. This typographical error was corrected in the version of the transmittal letter posted on the ISO's Home Page.

software changes will be installed and tested during the first week of March. The ISO accordingly requests that the effective date of the tariff revisions that implement these portions of Amendment No. 9 be deferred to the later of February 10, 1999 or seven days after the ISO posts a notice on the ISO Home Page that this capability is available, as proposed for the other components of Amendment No. 9 that depend upon the installation of software changes.[32]

CONCLUSION

For the foregoing reasons, the Commission should accept Amendment No. 13 to the ISO Tariff without suspension or hearing and grant a deferral of the effective dates for portions of the amendment, as set forth above.

Respectfully submitted,

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Dated: January 22, 1999

[32] *See Southwest Power Pool,* 82 FERC ¶ 61,285 (1998) (deferring effective date to permit software modification). The tariff changes that implement the Transmission Owner Debit solution and negative pricing for Supplemental Energy are shown in Attachments F and G, respectively, to the December 11, 1998 Transmittal Letter.

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 Washington, D.C. this 22nd day of January, 1999.

_____
Sean A. Atkins