

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

California Independent System Operator Corporation))	Docket Nos. ER03-746-001 ER03-746-002
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**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION IN SUPPORT OF MOTION FOR EXPEDITED
CLARIFICATION, OR,
IN THE ALTERNATIVE, REQUEST FOR REHEARING OF
WILLIAMS POWER COMPANY, INC.**

Pursuant to Rule 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission” or “FERC”), 18 C.F.R. § 385.213 (2001), the California Independent System Operator Corporation (“ISO”) hereby provides its answer in support of the Motion for Expedited Clarification, or, in the Alternative, Request for Rehearing filed by Williams Power Company (“Williams”) in the above-referenced dockets on November 25, 2003.

I. BACKGROUND

On April 15, 2003, the California Independent System Operator Corporation (“ISO”)¹ filed Amendment No. 51 to the ISO Tariff in the above-captioned proceeding (“Amendment No. 51”). In Amendment No. 51, the ISO proposed to conduct certain reruns in preparation of the ISO’s Commission-mandated rerun in the California refund proceeding (Docket Nos. EL00-95-045,

¹ Capitalized terms not otherwise defined herein shall have the meaning set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

et al.) and requested approval of Tariff amendments designed to “wall off” that rerun from the settlement processes currently used to clear the ISO Market. The ISO stated that this preparatory rerun would consist of 18 major issues.²

The Commission, on June 13, 2003, issued its “Order Conditionally Accepting and Suspending Tariff Amendments Pending Further Commission Action,” 103 FERC ¶ 61,331 (“June 13 Order”). In the June 13 Order, the Commission conditionally accepted and suspended Amendment No. 51, subject to refund, to become effective the earlier of November 14, 2003 or a date specified in a further Commission order in the proceeding.³ The Commission also directed the ISO to provide additional information as discussed in the Amendment No. 51 Order.⁴

In response to the June 13 Order, the ISO submitted a compliance filing on July 3, 2003, as supplemented by an addendum filed by the ISO on July 9, 2003 (together, the “Amendment No. 51 Compliance Filing”). Therein, the ISO explained that the preparatory rerun would involve 17, rather than 18, issues, and provided details on each of these issues. One of those issues, Issue No. 9, involves the results of Good Faith Negotiations (“GFN”) with Williams. In the Amendment No. 51, the ISO explained:

This GFN relates to previously denied Williams disputes for transactions in December 2000 and January through June, 2001. For reasons of mislogging of dispatched energy and errors in the Settlements formula, Williams was not properly compensated for energy provided. The issues are, principally, allocation of energy

² Additionally, on May 21, 2003, the ISO filed an answer in response to filings submitted concerning Amendment No. 51 (“Amendment No. 51 Answer”), and on June 12, 2003, the ISO filed a response to a further filing submitted by Pacific Gas and Electric Company (“PG&E”).

³ Amendment No. 51 Order at ordering paragraph (1).

⁴ *Id.* at ordering paragraph (3).

transactions between instructed and uninstructed and the different settlement prices for instructed energy (higher Out of Sequence (OOS) prices as opposed to lower OOM prices. Williams' claims under these issues amount to approximately \$20-22 million.

Amendment No. 51 Compliance Filing at Attachment A, pg. 5.

On November 14, 2003, the Commission issued its Order on Rehearing and Compliance, 105 FERC ¶ 61,203 (2003) ("November 14 Order"). In that order, the Commission denied the ISO's request to make adjustments in the preparatory rerun relating to Issue No. 9. The Commission noted that on December 30, 2002, it granted Williams' motion to partially dismiss it from the California refund proceeding based on Williams' November 11, 2002 settlement agreement with the California State Releasing Parties ("Williams Settlement"), but that because Williams had not yet filed the settlement with the Commission, the Commission had deferred making a decision on how to effectuate that settlement. The Commission stated that, for this same reason, it would defer a decision on Issue No. 9 until after it has "assessed the settlement agreement and its possible impact on rates, terms and conditions of service." November 14 Order at P. 27.

II. DISCUSSION

A. **Because They Involve Separate Issues, the Commission Should Clarify that the ISO Should Include the Results of the Williams GFN (Issue No. 9) in the Preparatory Rerun Process, Regardless of When the Williams Settlement is Filed and Acted on by the Commission**

The ISO supports Williams request for expedited clarification, or in the alternative, rehearing of the Commission's decision to defer ruling on Issue No. 9 until Williams' has filed the Williams Settlement with the Commission. Williams is correct that there is no relationship between Issue No. 9, as set forth in Amendment No. 51, and the Williams Settlement. Issue No. 9 involves modifications to the ISO's baseline historical database to correct for mislogging issues that affected Williams transactions during the December 2000 through June 2001 period. As the ISO explained in the Amendment No. 51 Compliance Filing, the corrections to be made to these historical Williams transactions involve "principally, allocation of energy transactions between instructed and uninstructed and the different settlement prices for instructed energy (higher Out of Sequence (OOS) prices as opposed to lower OOM prices[)]." Amendment No. 51 Compliance Filing at Attachment A, pg. 5. These corrections will not be affected by the Williams Settlement, which involves the settling of claims made by various parties in California (the California Releasing Parties) against Williams. The GFN that gave rise to the Issue No. 9 corrections is not connected to the Williams Settlement. Instead, it was undertaken pursuant to the ISO Tariff's dispute resolution mechanisms. Thus, there is no reason to defer approval of the implementation of Issue No. 9 pending the filing, and Commission

review, of the Williams Settlement. The ISO therefore supports Williams' motion for expedited clarification, or, in the alternative, rehearing of this issue.

B. Expedited Action on this Issue is Necessary to Avoid Delay in the ISO's Preparatory Rerun Process

In its Request for Clarification and/or Rehearing of the Commission's October 16, 2003 Order on Rehearing issued in the refund proceeding, the ISO explained that it would commence the preparatory rerun process regardless of the fact that certain issues had yet to be resolved, such as the issue of the proper treatment of CERS as the Scheduling Coordinator for the net-short load of the California IOUs, as well as the present issue regarding the resolution of the Williams GFN. Because the transactions impacted by the Williams GFN did not take place until December, 2000, the ISO can begin the preparatory rerun and process statements for the months of October and November 2000 before the inclusion or removal of the changes relating to the Williams GFN will impact the rerun. The ISO estimates that it will begin processing the month of December 2000 in late December 2003, or in the first week of January, 2004. Nevertheless, the ISO respectfully requests that the Commission rule on this issue as soon as possible, so that the ISO can most efficiently allocate personnel and resources necessary to reflect the Commission's decision regarding the Williams issue.

If the Commission has not ruled by the date on which the ISO begins to process transactions for the month of December 2000, then the ISO proposes to cease preparatory rerun activity until the Commission issues a decision on this

issue. The ISO treats seriously its obligation to complete the preparatory rerun in the shortest amount of time possible. However, if the ISO commences processing the months of December 2000 through June 2001 without including the results of the Williams GFN, and the Commission subsequently grants Williams' motion and requires the ISO to re-include those results, it would require at least six weeks of additional effort on the part of ISO staff to accomplish this task because it would require another complete rerun of the months impacted by the Williams GFN. Given this reality, the ISO believes that it would be most efficient to await a Commission decision on this issue before processing the months impacted by the Williams GFN.

III. CONCLUSION

For the reasons discussed herein, the ISO respectfully requests that the Commission grant Williams' Motion for Clarification, or, in the Alternative Rehearing, and state that the ISO is to include Issue No. 9 in its preparatory rerun.

Respectfully submitted,

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Dated: November 26, 2003

CERTIFICATE OF SERVICE

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

Dated at Folsom, CA, this 26th day of November, 2003.

/s/ Gene Waas
Gene Waas