

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

California Independent System Operator)
Corporation)

Docket No. ER02-1651-000

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

On April 26, 2002, the California Independent System Operator Corporation ("ISO") filed with the Federal Energy Regulatory Commission (the "Commission") a *pro forma* Aggregated Distributed Generation Pilot Project ("ADGPP") Participating Generator Agreement ("PGA") pursuant to Section 205 of the Federal Power Act. In addition, the ISO submitted the ADGPP requirements to the Commission for informational purposes and requested that the Commission, in approving the *pro forma* ADGPP PGA, extend to ADGPP participants the streamlined regulatory procedures it offered until April 30, 2002, to accommodate wholesale sales within the Western Systems Coordinating Council (now the "WECC") from generators providing primarily back-up or on-site generation in its March 14 and May 16, 2001, orders in Docket No. EL01-47-000¹.

Motions to intervene, protests and comments were due on May 17, 2002. The ISO does not oppose the intervention of any party that sought leave to intervene in this proceeding. Only one party, Southern California Edison Company ("SCE") protested any aspect of the ISO's ADGPP filing. See Motion

¹ 94 FERC ¶ 61,272 and 95 FERC ¶ 61,225 respectively.

to Intervene, Protest and Comments of Southern California Edison ("SCE Protest"). As explained herein, the ISO believes that the SCE Protest as it relates to gross metering is misdirected; SCE's concerns are already pending before the Commission and the ISO's approach in the ADGPP pending a Commission determination on SCE's concerns is reasonable. Further, the ISO provides a few clarifications herein that should satisfy additional concerns raised by SCE.²

I. SCE's Protest of the ADGPP on the Grounds that it Advances the ISO's Gross Metering Policy is Misdirected.

SCE contends melodramatically that "[t]he DG PGA constitutes another step in the ISO's long and hotly contested march to gross telemetry on all generation in its control area which, in turn, will allow the ISO to achieve its ultimate goal – procuring certain Ancillary Services on a gross load basis, including retail behind-the-meter load served by on-site generation." SCE Protest at 1. The ADGPP has very little to do with gross telemetry or gross metering, rather it is intended to test arrangements for Generating Units with a rated capacity less than 1 MW that are currently not accommodated in ISO markets to be aggregated in a fashion that allows such units to schedule Energy with the ISO and participate in the ISO's Supplemental Energy market. Testing these arrangements and developing longer term approaches for Generating Units under 1 MW should provide benefits to small resources, which can thus

² Although the Commission's Rules do not allow for answers to protests, the Commission has discretion under Rule 385.213 (a)(2) to allow answers for good cause. In this instance, the ISO avers that its answer will be helpful to the Commission in assessing the reasonableness of the features of the ADGPP challenged by SCE.

access additional markets for their product, and to the ISO, utilities and consumers, which can thus access additional and different types of resources.

SCE itself states that it "supports the ADGPP generally". SCE Protest at 1.

SCE itself also properly notes in its protest that its concerns about the ISO gross metering policy are currently pending before the Commission in Docket ER98-997. The ISO agrees with SCE that the issues of gross telemetry, gross metering, and the appropriate consideration of on-site load for purposes of calculating Ancillary Service requirements have been hotly contested. Nonetheless, after extensive proceedings addressing the issues, they are now pending squarely before the Commission, and, when a Commission determination is made, the ISO will, subject to its rights to appeal, implement the Commission's directives as to all entities to whom the Commission's decision applies. It would be an unnecessary and unwise expenditure of resources to attempt to re-litigate all these issues in the context of a temporary, small (50 MW) pilot project.

For purposes of the pilot, the ISO has crafted a short-term compromise to the gross telemetry/gross metering problem; it has required gross telemetry but extended a temporary exemption to program participants from its requirements for gross metering. The ISO avers that this is a reasonable compromise that, in lieu of full scale re-litigation of issues that have already been amply aired, should be accepted for purposes of the pilot. It allows the ISO to comply with WECC requirements pending a Commission decision in Docket ER98-997, while holding program participants harmless of any monetary implications. The ISO notes

moreover that given the small size of the pilot project even assuming that it achieves full subscription, any additional Ancillary Services that would be procured as a result of gross, rather than net, telemetry of the output of the Generating Units would be minute.

While the SCE Protest emphatically sets forth SCE's view that accounting for on-site load for purposes of determining Ancillary Service requirements is "an unnecessary goal, which only increases ratepayer costs without any increase in grid reliability", SCE Protest at 1 -2, the ISO's view on the matter comports with WECC requirements. In Docket ER98-997, in response to an Initial Decision that largely adopted SCE's position, the WECC filed a Brief on Exceptions from that Initial Decision stressing to the full Commission that SCE's position and the Initial Decision are inconsistent with WECC requirements and that on-site load should be considered for purposes of determining Ancillary Service requirements. See October 1, 2001, Brief on Exceptions of the Western Systems Coordinating Council in Docket ER98-997 at 5-7. Both its Tariff and state law require the ISO to operate in accordance with standards no less stringent than those of the WECC and NERC. See ISO Tariff Section 2.3.1.3 and California Public Utilities Code 345. Thus, pending a Commission determination in Docket ER98-997 that directs the contrary, the approach set forth by the ISO for use in the ADGPP is appropriate.

In sum, pending a Commission determination in Docket ER98-997, the approach set forth in the ADGPP program guidelines (which the ISO filed with the Commission for informational purposes) is a reasonable compromise. SCE

(and other parties) have had ample opportunity to argue all aspects of the gross metering issues before the Commission, and the ISO will, subject to its rights of appeal, implement any final Commission directives on the issue with regards to all entities to whom the determinations apply, including ADGPP program participants. The ADGPP is primarily about testing an approach for aggregation of small Generating Units, and should not be sidetracked by an issue that has already been fully litigated before the Commission.

II. The ISO Commits to Making the ADGPP Units Lists Associated with All Executed ADGPP PGAs Public.

SCE argues that the *pro forma* ADGPP PGA should have a Schedule 1 similar to that required for the regular *pro forma* PGA. The ISO disagrees for the reasons set forth below but commits to posting the ADGPP Units Lists associated with all executed ADGPP PGAs on its website. This commitment should address the concerns expressed in the SCE Protest on this matter.

The *pro forma* PGA includes a Schedule 1 which lists the specific units subject to any particular PGA. The *pro forma* ADGPP PGA dispenses with Schedule 1, and replaces it with an ADGPP Units List. Unlike Schedule 1, however, the ADGPP Units List is not made part of the formal *pro forma* ADGPP PGA. This is intentional. The ISO contemplates that during the course of the pilot project, an ADGPP Participating Generator may wish to add or delete units from the pilot project and wanted to allow for such changes without triggering the need for a further ADGPP PGA filing with the Commission. However, the ADGPP Participating Generator must provide appropriate notice of any such changes to the ISO in accordance with Section 4.1.3.

Nonetheless, the ISO intends that ADGPP Units Lists are to be public documents. The ADGPP requirements specifically state "[t]he ISO notes that executed ADGPP PGAs and associated documentation are public documents." See ADGPP requirements, page 3, point 10. To alleviate SCE's concern about access to the identity of individual Generating Units participating in the ADGPP, the ISO hereby commits to posting the ADGPP Units Lists associated with executed ADGPP PGAs on its website at the ADGPP site. This approach should address SCE's concerns.

III. Further Technical Questions of SCE Do Not Merit Changes to the ADGPP.

The SCE Protest requests two clarifications, one related to metering requirements and one related to distribution loss factors. Neither request merits modification of the *pro forma* ADGPP and associated documents.

As to metering, SCE complains that the ISO has allowed hourly interval metering for purposes of the ADGPP as opposed to requiring 10-minute metering consistent with requirements for other entities submitting Supplemental Energy bids. The ADGPP is a temporary, limited pilot project. Accordingly, in devising the program requirements, the ISO sought to minimize the need for program participants to invest in equipment for the sole purpose of participating in the pilot project since incremental investments would likely discourage participation, particularly in light of the temporary nature of the ADGPP. SCE's criticism is more appropriately leveled at a longer term program. Even in that context, however, it will be necessary to weigh the value of more accurate metering,

against the burden imposed on potential program participants, particularly in the case of the small Generating Units under 1 MW that are the targets of the ADGPP. Nonetheless, the ISO does not wish to prejudge that question as to any potential longer term program.

As to distribution losses, SCE's question is insufficiently specific to respond to in this answer. Nonetheless, the ISO notes that it has in its March 8, 2002, workshop and workshop documents repeatedly invited interested persons to contact the ISO with technical questions. For example, the March 8, 2002, workshop presentation invites interested persons to contact Ali Miremadi at (916) 608-7061 with general questions, and John Doudna at (916) 351-2192 with technical questions. These ISO employees remain available to respond to any further technical questions of SCE and other interested persons.

IV. Conclusion.

In sum, the bulk of SCE's protest is largely misdirected; SCE's concerns are already pending before the Commission, and the ISO's approach pending a Commission determination on these concerns is reasonable. Further, the ISO's commitment to post ADGPP Units Lists and clarification as to the rationale for hourly interval metering as set forth herein should assuage any further SCE concerns. The ISO remains available to respond to any further technical questions of SCE and other interested parties. In the interim, the ISO avers that no justification has been provided to modify the *pro forma* ADGPP PGA or associated documents and urges the Commission to expeditiously approve these in accordance with the ISO filing of April 26, 2002.

Respectfully submitted,

Jeanne M. Solé
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7144
Fax: (916) 608-7222

Counsel for the California Independent
System Operator Corporation

Date: June 3, 2002