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

California Independent System   )   Docket No. ER00-2383-000
 Operator Corporation   )

**ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
TO MOTIONS TO INTERVENE, PROTESTS,
AND REQUEST FOR IMMEDIATE STAY**

I. INTRODUCTION AND SUMMARY

On May 2, 2000, the California Independent System Operator Corporation

("ISO")[1] filed Amendment No. 29 to the ISO Tariff in the above-referenced

docket. In this amendment, the ISO proposed, among other things, to modify its

then-current approach to the Dispatch of resources participating in the ISO's

Imbalance Energy market and to the settlement of Scheduling Coordinators'

obligations in that market. Under these modifications, all resources supplying

Imbalance Energy would be Dispatched over the interval utilized by the ISO's

Balancing Energy and Ex Post Price ("BEEP") software – currently, ten minutes –

and obligations in the Imbalance Energy market would be settled on the same

basis. Collectively, these modifications would be known as "ten-minute markets."

Because the software necessary to implement ten-minute markets was still in

development when the ISO filed its ten-minute market proposal, the ISO

requested that this part of Amendment No. 29 be permitted to go into effect on

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

the later of July 1, 2000, or ten days after the ISO posted notice on the ISO

Home Page that the modified software necessary to implement ten-minute

markets was ready for use.

The Commission approved Amendment No. 29, with certain modifications,

by order issued on June 29, 2000.[2] In that order, the Commission approved the

ISO's request that ten-minute markets be permitted to go into effect on the date

described above.[3]

On August 22, 2000, the ISO posted on the ISO Home Page, and sent to

all Market Participants via e-mail, a Notice of Implementation that specified that

the ISO had completed the necessary software modifications. The Notice further

specified that ten-minute markets would be implemented for Trade Day

September 1, 2000. The ISO implemented ten-minute markets on September 1.[4]

On August 23, 2000, the ISO filed the Notice of Implementation with the

Commission for informational purposes. In accordance with the Notice of Filing

issued on August 28, 2000, two parties filed responses on or before September

13, 2000.[5]

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[2]   *California Independent System Operator Corporation*, 91 FERC ¶ 61,324 ("Amendment No. 29 Order").

[3]   *Id.* at 62,117.

[4]   Additionally, on September 1, the ISO posted notice on the ISO Home Page that it would implement, on September 10, non-payment for uninstructed deviations from awarded Ancillary Services capacity (the "No-Pay" rule). The ISO implemented the No-Pay rule on that date; it also filed the notice of implementation with the Commission for informational purposes on September 5.

[5]   Timely motions to intervene were filed by the Bonneville Power Administration ("BPA") and Williams Energy Marketing & Trading Company ("Williams"). Both parties also styled their pleadings as "protests," and, in addition, BPA included in its pleading a "request for immediate stay," which Williams supports. There is no prohibition on the ISO's responding to the comments in these pleadings. The ISO is entitled to respond to them notwithstanding the labels 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

Pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213, the ISO hereby files its Answer to Motions to Intervene, Protests, and Request For Immediate Stay in the above-referenced docket. As explained below, the Commission should not grant the requests of BPA and Williams for an immediate stay of the implementation of ten-minute markets. Moreover, the ten-minute markets software has been running smoothly since it was implemented.

II.   ANSWER

A.   The Commission Action Requested By BPA and Williams Is Inconsistent With the Commission's Directive In the Amendment No. 29 Order

In the Amendment No. 29 Order, the Commission accepted the ISO's ten-minute market proposal "to become effective on the later of July 1, 2000, or ten days after the ISO posts a notice that the modified software is ready for use."[6] The Commission was referring to the posting of notice on the ISO Home Page.[7] Further action by the Commission was not required. Thus, the implementation of ten-minute markets was to be effective solely upon proper notice to the market, rather than contingent upon any subsequent Commission approval.[8] The ISO duly posted the Notice of Implementation once the modified software was ready;

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the ISO filed the Notice with the Commission only for informational purposes (rather than pursuant to Section 205 of the Federal Power Act[9]), as indicated in the transmittal letter for the filing.[10] As a result, the requests of BPA and Williams for an immediate stay of the implementation of ten-minute markets should be denied as being inconsistent with the directive in the Amendment No. 29 Order.[11]

B.   The Ten-Minute Markets Software Is Completely Operational

In addition to the fact that the ISO has properly provided notice on the ISO Home Page of the implementation of ten-minute markets, the necessary software was ready and has been operating smoothly since the September 1 implementation date. The kinks in the initial software simulations which BPA and Williams describe have been worked out. Therefore, BPA and Williams are incorrect in treating them as ongoing difficulties.[12] Although Williams asserts that "the ten-minute markets software has encountered a host of problems" since implementation commenced, it is telling that Williams does not name any of these supposed problems.[13] Moreover, Williams' avowed inability to verify the ISO's calculations does not mean – or even imply – that the software was not ready for use on time.[14] It was ready for use, and it is working well.[15]

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[9]   16 U.S.C. § 824d.

[10]   *See* Transmittal Letter for Notice of Implementation at 1.

[11]   *See* BPA at 5; Williams at 5.

[12]   *See* BPA at 4-5; Williams at 3-5. BPA attaches to its pleading a letter from BPA and ten other entities to Terry Winter, the ISO's President and Chief Executive Officer, requesting that the ISO delay implementation of ten-minute markets for one month. BPA at 4-5 and Attachment A. Given the greater number of entities that did not object to the September 1 implementation date, Williams does not appear justified in characterizing the request for delayed implementation as an "overwhelming" response. *See* Williams at 3.

[13]   *See id.* at 5.

[14]   *See id.* at 4-5.

[15]   The ISO has not been responsible for any difficulties concerning the operation of ten-minute markets. For example, on September 18, 2000, BPA notified the ISO that it had a problem with dispatching the Energy associated with Ancillary Service bids on a ten-minute basis

III. CONCLUSION

For the foregoing reasons, the Commission should deny the requests of

BPA and Williams for an immediate stay of the implementation of ten-minute

markets.

Respectfully submitted,

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in the absence of a "real contingency." On September 19, 2000, BPA posted a notice on its Internet site announcing a "hiatus on the 10-minute market." In the notice, BPA stated that the "hiatus on the 10-minute market applies to spinning reserve, non-spinning reserve, 10-minute supplemental energy, and replacement energy if such services are being used for economic regulation instead of emergency purposes." BPA's notice is included in the present filing as Attachment A. In response to BPA's notice, the ISO e-mailed to all Market Participants a reminder that Scheduling Coordinators have the ability to specify that Supplemental Energy bids are to be dispatched on a pre-dispatch basis only. Such a "pre-dispatch flag" serves to limit the risk associated with ten-minute markets, and allows a Supplemental Energy bid's participation in the Real Time Market to be limited to the pre-dispatch quantity during the hour. The ISO issued a subsequent notice to clarify that the "pre-dispatch only" flag does not apply to Ancillary Service import bids. Additionally, the ISO clarified that if (a) an Ancillary Service Energy dispatch instruction is declined or (b) the adjacent Control Area is not able actually to schedule the real-time interchange into the ISO, the Ancillary Service dispatch call is treated as a declined instruction. The consequence of a declined Ancillary Service Energy instruction is that the "No-Pay" settlement provision in the ISO Tariff will apply. The ISO's notices are included in the present filing as Attachment B.