

# SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

THE WASHINGTON HARBOUR  
3000 K STREET, NW, SUITE 300  
WASHINGTON, DC 20007-5116  
TELEPHONE (202) 424-7500  
FACSIMILE (202) 424-7643  
WWW.SWIDLAW.COM

NEW YORK OFFICE  
THE CHRYSLER BUILDING  
405 LEXINGTON AVENUE  
NEW YORK, NY 10174  
TELEPHONE (212) 973-0111  
FACSIMILE (212) 891-9598

JEFFREY W. MAYES  
TELEPHONE: (202) 295-8354  
FACSIMILE: (202) 424-7643  
JWMAYES@SWIDLAW.COM

BY HAND

July 25, 2003

The Honorable Magalie Roman Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: California Independent System Operator Corporation, Docket No. ER00-2019-001**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")<sup>1</sup> respectfully submits six copies of this filing in compliance with the Commission's Order on Rehearing in the above-referenced proceeding, which issued July 10, 2003 ("July 10<sup>th</sup> Order"). 104 F.E.R.C. ¶61,062. In the July 10<sup>th</sup> Order (at P55), the Commission held that certain transmission customers when they become Participating Transmission Owners served by certain generating facilities located "behind the meter" (i.e., not directly interconnected to the ISO Controlled Grid) should pay transmission Access Charges on a net load basis.<sup>2</sup> The Commission therefore required the ISO to submit revised tariff sheets prospectively implementing this requirement. With this submission the ISO responds to that directive.

## I. BACKGROUND

On March 31, 2000, the ISO filed Amendment No. 27 to the ISO Tariff, proposing a new methodology for determining transmission Access Charges, through which Participating Transmission Owners recover the embedded costs of their transmission facilities that constitute the ISO Controlled Grid. By Order dated May 31, 2000, the Commission made specific findings regarding certain aspects of Amendment No. 27 and accepted for filing, suspended, and set for hearing the remainder of the proposed

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<sup>1</sup> Capitalized terms not otherwise defined are used in the sense given in the Master Definitions Supplement, ISO Tariff Appendix A.

<sup>2</sup> Transmission customers that are not Participating TOs already pay the transmission Access Charge based on net use of the ISO Controlled Grid.

Access Charge methodology and related tariff provisions. Relevant to this filing, the Commission ruled that the Amendment No. 27's use of Gross Load as the billing determinant for the Access Charge was just and reasonable. *California Independent System Operator Corporation*, 91 F.E.R.C. ¶61,205 (2000). Amendment No. 27 now is pending before Judge Bobbie McCartney, with a hearing scheduled to commence in October, 2003.<sup>3</sup>

In the July 10<sup>th</sup> Order the Commission addressed requests for rehearing of the May 31, 2000, order. The Commission denied rehearing on several issues, deferred a number of issues to Judge McCartney to address at hearing, and granted rehearing in part on the issue of the appropriate billing determinants for customers that rely on generation located behind the meter. Although the Commission affirmed its ruling regarding the use of Gross Load as the billing determinant for the Access Charge, the Commission found that, consistent with the treatment it had required for behind the meter generation for purposes of the ISO's Control Area Services portion of the Grid Management Charge,<sup>4</sup> customers that primarily rely on behind the meter generation to meet their energy needs are allocated too great a share of the transmission costs recovered through transmission Access Charges. *Id.* at P 55. The Commission defined such customers, consistent with the GMC Order, to be those customers having generators with a 50 percent or greater capacity factor (the ratio of a generator's average load or output to its capacity rating over a period of time). *Id.* The Commission held that customers meeting the foregoing criterion should pay the TAC on a "net load basis," which the Commission explained as "the actual cumulative kWh load that utilized the grid in any given month, to reflect their use of alternative resources, rather than on the basis of gross load." *Id.* The Commission's order spoke generally of "transmission customers" that met this criterion; nonetheless, in context, the order appears limited to the customers of Participating TOs that are governmental entities. The Commission directed the ISO to submit revised tariff sheets implementing this requirement on a prospective basis. *Id.*

## II. COMPLIANCE FILING

In this filing the ISO revises the definition of Gross Load in ISO Tariff Appendix A, Master Definition Supplement, to exclude from that definition, as it applies to Local Publicly Owned Electric Utilities that also are Participating Transmission Owners, that portion of the load that is served by a generating facility that is (i) directly connected over the Local Publicly Owned Electric Utilities' Distribution System and (ii) operates at greater than fifty percent capacity in the current month. Essential to the ISO's successful implementation

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<sup>3</sup> Since filing Amendment No. 27, the ISO has submitted two additional filings to amend related sections of the ISO Tariff. Amendment No. 34, filed December 28, 2000, proposes amendments to facilitate the implementation of the transmission Access Charge methodology. Amendment No. 49, filed March 11, 2003, proposes certain modifications to Amendment No. 27 based on the ISO's operational experience and the topics discussed during settlement negotiations. The Commission consolidated these amendments into the pending hearing in this docket, but neither bear upon the specific subject matter of this compliance filing. *California Independent System Operator Corporation*, 103 F.E.R.C. ¶61,260 at P 1 (May 30, 2003). Two additional amendments related to the transmission Access Charge, but not consolidated with this proceeding, have been filed: Amendment No. 46, which the Commission accepted subject to modification, 100 F.E.R.C. ¶61,234 (2002), and Amendment No. 47, which the Commission conditionally accepted, 102 F.E.R.C. ¶61,061, Docket No. ER03-218-000, (January 24, 2003), *order on reh'g*, 103 F.E.R.C. ¶61,113 (2003).

<sup>4</sup> *California Independent System Operator Corporation*, 103 F.E.R.C. ¶61,114 at 28 (May 2, 2003) ("GMC Order").

of the Commission's directive is the inclusion of a requirement that a Local Publicly Owned Utility install ISO Certified Meters at the interconnection of each Generating Unit within its PTO Service Area and at each interconnection with another UDC or MSS (i.e. at the PTO Service Area boundary) as a prerequisite to such net billing. Absent such metering, the ISO could not accurately determine whether any Load is served primarily by behind the meter generation and the amount of such Load.

Where the ISO is unable to directly poll data from an installed ISO Certified Meter, it is submitted to the ISO through the Scheduling Coordinator acting on behalf of the non-compliant or exempt entity. SCs typically provide such data on a daily basis 47 calendar days after the Trading Day (i.e., July meter data is provided in September). The ISO then attempts to validate and check that indirectly provided meter data prior to pushing it along to Settlements for the calculation of ISO invoices. Consequently, the ISO invoices are released approximately 70 days after the end of the trade month (early October in the above example). If data anomalies cannot be resolved, then the ISO must audit the meter data. This consumes additional time and requires the deployment of significant resources that could be beneficially assigned to other tasks. Delays in finalizing the meter data that results from late submittal and/or delays in resolving data anomalies may jeopardize the transfer of meter data to Settlements, which would then result in inaccurate billing. Because a number of the ISO charges are spread to all SCs based on metered Demand, having late or incorrect meter data from one SC potentially impacts the invoice of every SC in the ISO's markets. Sorting out such billing problems presents a major administrative burden to the ISO and its customers.

In contrast, ISO-certified meters automatically download data on a daily basis. Such meters provide confidence in the original accuracy of the data submitted in this manner. A review for anomalies can begin immediately, facilitating their expeditious identification and resolution. The automated process relieves the SC and the ISO of the administrative costs of collecting and receiving Settlement Quality Meter Data on a daily interval basis. In regards to the calculation of Gross Load, the data from ISO-certified metering will allow the ISO to determine accurately whether Load is served primarily by behind the meter generation.

The metering requirement not only is a practical necessity, but also imposes no unfair burdens on Participating TOs. As the Commission recognized in its order on Amendment No. 49 to the ISO Tariff, the installation of such metering is a pre-existing obligation of the Participating TOs and is necessary in order for the ISO to operate an efficient and reliable transmission grid effectively. *California Independent System Operator Corporation*, 103 FERC ¶ 61,260 at P 25. As the Commission also recognized, the ISO has encountered significant difficulty and delay in obtaining compliance with its metering regime. *Id.* Accordingly, the inclusion of a requirement for ISO-certified metering as a prerequisite to net billing provides an important incentive for compliance that will confer administrative benefits beyond even those applicable to the administration of the particular policy implemented here.<sup>5</sup>

Moreover, the financial burden of compliance is insignificant. Market Participants have reported to the ISO an average cost of \$10,000 to install an ISO Certified Meter. The Local Publicly Owned Utility can

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<sup>5</sup> See 103 F.E.R.C. ¶61,260 at P 25 and the report on metering compliance submitted by the ISO in response to that order on July 7, 2003; *California Independent System Operator Corporation*, 101 F.E.R.C. ¶61,219 (November 11, 2002) (Order on unresolved issues from Docket Nos. ER98-3760, et al.), and the filing submitted in compliance with that order on January 7, 2003.

expect to quickly recover this cost through the savings from reduced billing determinants for billing Gross Load.

### III. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

Charles F. Robinson  
General Counsel  
Deborah A. Le Vine  
Director of Contracts  
Jeanne Sole  
Regulatory Counsel  
The California Independent System  
Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Tel: (916) 351-4400  
Fax: (916) 608-7296

David B. Rubin  
Michael E. Ward  
Jeffrey W. Mayes  
Swidler Berlin Shereff Friedman LLP  
3000 K Street, N.W.  
Washington, DC 20007-5116  
Tel: (202) 424-7500  
Fax: (202) 424-7643

### IV. ATTACHMENTS

The following documents, in addition to this letter, support this filing:

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|--------------|--|
| Attachment A | A clean version of the ISO Tariff sheets with proposed changes to the definition of Gross Load.                |
| Attachment B | A black-lined version of the ISO Tariff sheets showing the proposed changes to the definition of Gross Load.   |
| Attachment C | A Notice of Filing suitable for publication in the <i>Federal Register</i> (also provided on a 3.5" diskette). |

**V. ADDITION TO SERVICE LIST**

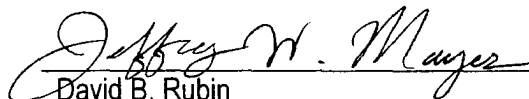
The ISO designates as an additional representative the person listed below and respectfully requests that the Commission add her to the official service list in this proceeding:

Jeanne Sole, Esq.  
Regulatory Counsel  
The California Independent System Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Tel: (916) 351-4400  
Fax: (916) 608-7296  
*JSole@caiso.com*

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Two extra copies of this filing also are enclosed that we request be time-stamped and returned with our messenger. Please contact the undersigned if you have any questions concerning this matter.

Respectfully submitted,



Charles F. Robinson  
General Counsel  
Jeanne Sole  
Regulatory Counsel  
The California Independent System  
Operator Corporation  
151 Blue Ravine Road  
Folsom, California 95630

David B. Rubin  
Michael E. Ward  
Jeffrey W. Mayes  
Swidler Berlin Shereff Friedman LLP  
3000 K Street, N.W.  
Washington, D.C. 20007-5116

*Attorneys for the California Independent System Operator Corporation*

Enclosure

**ATTACHMENT A**

Load on or before March 31, 2000; and (d) secured Standby Service from a Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, as of March 31, 2000 and continues to secure Standby Service from the Participating TO or can be curtailed concurrently with an outage of the Generating Unit serving the Load. In the case of a Local Publicly Owned Electric Utility that (a) is a Participating TO, (b) is in compliance with all metering requirements of Section 10 and the Metering Protocols of the ISO Tariff applicable to a utility that is an ISO Metered Entity, and (c) has not received a waiver of such metering requirements, Gross Load shall also exclude the portion of the Local Publicly Owned Electric Utility's Load that is served by a Generating Unit that (a) is directly connected to the Load through the Local Publicly Owned Electric Utility's Distribution System, (b) has certified and polled metering, and (c) is operated at greater than 50% capacity in the current month as measured by such a meter. Gross Load forecasts consistent with filed TRR will be provided by each Participating TO to the ISO.

**High Voltage Access Charge**

The Access Charge applicable under Section 7.1 to recover the High Voltage Transmission Revenue Requirements of each Participating TO in a TAC Area.

**High Voltage Transmission Facility**

A transmission facility that is owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, that is under the ISO Operational Control, and that operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers.

**High Voltage**  
**Transmission Revenue**  
**Requirement**

The portion of a Participating TO's TRR associated with and allocable to the Participating TO's High Voltage Transmission Facilities and Converted Rights associated with High Voltage Transmission Facilities that are under the ISO Operational Control.



**ATTACHMENT B**

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## Gross Load

For the purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of Loads directly connected to the transmission facilities or Distribution System of a UDC or MSS, and all Energy provided by a Scheduling Coordinator for the supply of Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS. Gross Load shall exclude Load with respect to which the Wheeling Access Charge is payable and the portion of the Load of an individual retail customer of a UDC, MSS, or Scheduling Coordinator that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customer's site through over-the-fence arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; (c) was serving the customer's Load on or before March 31, 2000; and (d) secured Standby Service from a Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, as of March 31, 2000 and continues to secure Standby Service from the Participating TO or can be curtailed concurrently with an outage of the Generating Unit serving the Load. In the case of a Local Publicly Owned Electric Utility that (a) is a Participating TO, (b) is in compliance with all metering requirements of Section 10 and the Metering Protocols of the ISO Tariff applicable to a utility that is an ISO Metered Entity, and (c) has not received a waiver of such metering requirements, Gross Load shall also exclude the portion of the Local Publicly Owned

Electric Utility's Load that is served by a Generating Unit that (a) is directly connected to the Load through the Local Publicly Owned Electric Utility's Distribution System, (b) has certified and polled metering, and (c) is operated at greater than 50% capacity in the current month as measured by such a meter. Gross Load forecasts consistent with filed TRR will be provided by each Participating TO to the ISO.

**ATTACHMENT C**

Form of Notice Suitable for Publication in the *Federal Register*

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System  
Operator Corporation

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Docket No. ER00-2019-001

NOTICE OF FILING

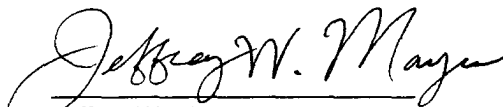
Take notice that on July 25, 2003 the California Independent System Operator Corporation ("ISO") tendered a filing in compliance with the Commission's Order on Rehearing of July 10, 2003, 104 F.E.R.C. ¶61,062 ("July 10<sup>th</sup> Order"), in which the Commission held (at P 55) held that certain transmission customers when they become Participating Transmission Owners served by certain generating facilities located "behind the meter" (i.e., not directly interconnected to the ISO Controlled Grid) should pay transmission Access Charges on a net load basis. With this filing the ISO submits, as directed by the Commission, revised tariffed sheets prospectively implementing this requirement.

Any person desiring to be heard or to protest the filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). All such motions or protests must be filed in accordance with Sec. 35.8 of the Commission's regulations. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection in the Public Reference Room. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

## 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 this proceeding.

Dated at Washington, D.C.  
this 25<sup>th</sup> day of July, 2003.

A handwritten signature in black ink that reads "Jeffrey W. Mayes". The signature is written in a cursive style with a horizontal line underneath the name.

Jeffrey W. Mayes  
Swidler Berlin Shereff Friedman, LLP  
3000 K Street, NW, Suite 300  
Washington, D.C. 20007-5116  
(202) 424-7500