January 30, 2003

Attn: Commission's Docket Office California Public Utilities Commission 505 Van Ness Avenue San Francisco, CA 94102

RE: Docket # R.99-10-025, Order Instituting Rulemaking into Distributed Generation

Dear Clerk:

Enclosed for filing please find an original and eight copies of the Comments of the California Independent System Operator Corporation on the Proposed Decision of Commissioner Lynch in Docket # R.99-10-025. Please date stamp one copy and return to California Independent System Operator in the self-addressed stamped envelope provided.

Thank you.

Sincerely,

Jeanne M. Solé Regulatory Counsel

Cc: Attached Service List

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking into Distributed)	
Generation.)	R.99-10-025
)	

COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR ON THE PROPOSED DECISION OF COMMISSIONER LYNCH

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Dated: January 30, 2003

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR ON THE PROPOSED DECISION OF COMMISSIONER LYNCH

In accordance with CPUC Rules 77.2 and 77.3, the California Independent System Operator ("CA ISO") respectfully submits these comments on the January 10, 2003 proposed decision of Commissioner Lynch in this matter ("Proposed Decision"). The CA ISO strongly supports the determination in the Proposed Decision that distribution-only wheeling is infeasible, except in the case of distribution systems that are electrically isolated from the transmission grid, and that accordingly, except in these circumstances, distribution-only wheeling tariffs are not appropriate.

The Proposed Decision addresses issues that were the subject of evidentiary hearings and briefing in 2000. The CA ISO participated actively in these proceedings primarily to demonstrate that distributed generators connected to the interconnected grid at the distribution level, both affect and benefit from the interconnected grid and hence the transmission system. The CA ISO explained, moreover, that as Control Area operator it must ensure that generation and load throughout the Control Area are in balance, and that adequate reserves are available within the Control Area to meet the requirements of the Western Electricity Coordinating Council ("WECC," formerly the Western Systems Coordinating Council or "WSCC"). Accordingly, the CA ISO maintained that distribution-only wheeling tariffs have no technical basis and are inappropriate. The CA ISO identified two circumstances only in which distributed generators have either no, or minimal impact, on the interconnected grid: 1) distributed generators connected to distribution systems that are electrically isolated from the grid; and 2) when the energy transmitted from a distribution-connected generator to a distribution-connected

load does not alter in any way the energy flowing on the CA ISO Controlled Grid and the demand of the load is subject to an automatic curtailment scheme that would disconnect or curtail the load simultaneously with the disconnection or curtailment of the generator. See Proposed Decision at 30.

The Proposed Decision concludes that distribution-only wheeling is infeasible except in the case of distribution systems that are electrically isolated from the grid, and that accordingly, distribution-only wheeling tariffs are not appropriate except in the case of electrically isolated distribution systems. See Proposed Decision at 34. The CA ISO strongly concurs with this conclusion and urges the Commission to adopt it without modification in its final decision.

The Proposed Decision also cites to the CA ISO testimony, notes that there are limited cases beyond electrically isolated distribution systems in which impacts on the transmission system are reduced, and encourages the investor owned utilities, the CA ISO and the Federal Energy Regulatory Commission ("FERC") to explore whether existing tariffs properly reflect cost causation in the narrow set of transactions identified by the CA ISO as not relying on the full menu of transmission services. See Proposed Decision at 34. The CA ISO is willing to entertain such an exercise as to cases in which the energy transmitted from a distribution-connected generator to a distribution-connected load does not alter in any way the energy flowing on the CA ISO Controlled Grid and the demand of the load is subject to an automatic curtailment scheme that would disconnect or curtail the load simultaneously with the disconnection or curtailment of the generator. See Proposed Decision at 30.

The CA ISO has no comment on the remainder of the Proposed Decision except the section regarding jurisdiction over distributed generation interconnections when sales of excess energy occur. See Proposed Decision at 35-38. The CA ISO has questions about the accuracy and purpose of this section, which appears to conclude that, because interconnection of generators to the distribution system presents issues of local safety, reliability and environmental concern where the state has primary jurisdiction, the Commission, therefore, has jurisdiction over interconnections of generators to the distribution system in all cases.. See Proposed

Decision at 38. This analysis is overly simplistic and likely flawed; particularly in the case of generators interconnecting for the purpose of making wholesale sales. There is a strong case for FERC jurisdiction over such interconnections, as set forth in the Pacific Gas and Electric Company analysis that the Proposed Decision recounts on pages 35-36, and FERC's Notice of Proposed Rulemaking on Standardization of Generator Interconnection Agreements and Procedures issued on April 24, 2002, in FERC docket No. RM02-1-000.

Nonetheless, the CA ISO does not believe that endless discussion about jurisdiction is either necessary or helpful. Where jurisdiction lies is generally a fact specific case-by-case inquiry that is not affected by general pronouncements of the type set forth in the Proposed Decision. Moreover, if state and federal requirements for interconnection to the distribution system are similar, the question of jurisdiction becomes immaterial. As the CA ISO articulated to FERC in its comments regarding interconnection requirements for small generators filed on December 20, 2002 in FERC docket No. RM02-12-000, this is one advantage of both FERC and the CPUC maintaining similar procedures and requirements in the rules for interconnection to the distribution system.

In sum, the CA ISO strongly supports the conclusion in the Proposed Decision that distribution-only wheeling is technically infeasible except in the case of electrically isolated distribution systems, and that accordingly there is no basis for a distribution-only wheeling tariff. The CA ISO respectfully urges the Commission to adopt this conclusion in its final decision.

January 30, 2003 Respectfully Submitted:

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PROOF OF SERVICE

I hereby certify that on January 30, 2003, I served by electronic and U.S. mail, the Comments of the California Independent System Operator on the Proposed Decision of Commissioner Lynch in Docket # R. 99-10-025.

DATED at Folsom, California on January 30, 2003.

Mui (Karen) Au An Employee of the California Independent System Operator